



GEM706

Training Guide

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Chapter 1 Introduction

GEM706 is designed to prepare Form 706, the Federal Estate (and Generation-Skipping Transfer) Tax Return. GEM706 prepares all of the accompanying schedules and many of the required attachments.

In this training, you will become familiar with basic GEMS software functionality. Additionally, you will look at the major steps in preparing an estate tax return, including transferring assets from an accounting, making an election to defer taxes on closely held business interests pursuant to IRC §6166, and creating an optimum marital deduction bequest on Schedule M.

In addition to this Training Guide, there are several other ways to obtain assistance:

1. You should consult the GEM706 user manual as a reference guide. You can find the manual by opening an estate tax file and clicking on Help on the menu bar at the top of the window.
2. You can call our support line at 1-888-436-7706 ext.2. Support hours are from 8:30 to 4:30 Central time.
3. You can e-mail your questions or comments to Support@GillettPublishing.com.

For questions concerning your account, purchases, renewals, or invoices, contact Sales@GillettPublishing.com or call 1-888-436-7706 ext. 1.

Chapter 2 Creating and Accessing Data Files

§2.01 Introduction

Double click the GEMS icon on your desktop, and GEMS displays the introductory Administrator screen:

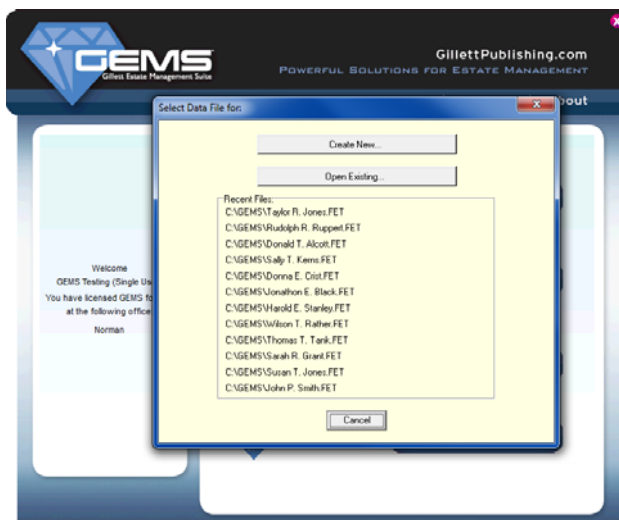


This window displays your firm information in the left pane and is your gateway to the three main modules, GEM706, GEMAcct, and GEM709. There are three additional tabs at the top:

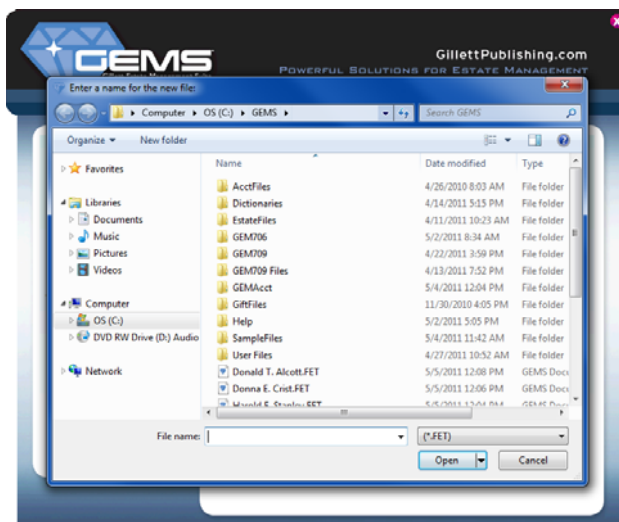
1. Click **About** to find your program versions installed, your customer ID number, your most recent authorization codes, and sales and support contact information.
2. Click **Update** to set your automatic update intervals and to instantly obtain the most recent GEMS updates.
3. Click **Authorization** to enter new authorization codes.

§2.02 Creating Data Files

To create a new data file, click GEM706 on the Administrator window:



If this is your first client file, your Recent Files list will be empty, but every file you initialize will be added to the list. *Click Create New:*



§2.03 – Location of Data Files

By default, GEMS stores data files inside the GEM706 folder on your hard drive. It is recommended that you create a new folder outside the GEMS program for your data files. After you create that folder, you can locate it in the data field at the top left hand portion of the window. Once you create and open a file from this new location, GEM706 will default to that folder the next time you create a file.

§2.04 – Data File Names

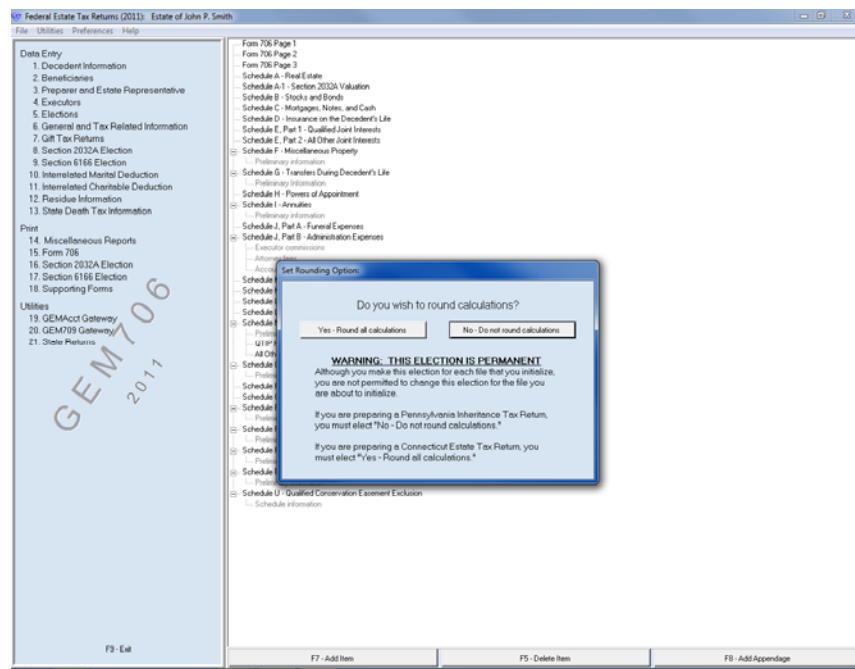
GEM706 asks you to enter the file name to identify the estate tax data file. Although the name does not have to be the same as the decedent's name, you should select a name that will permit you to easily identify the file.

GEMS automatically assigns a program file extension to the data file that associates the file with a specific program module. Estate tax return files have a .FET extension, accounting files have a .FAR file extension, and gift tax return files have a .FGT file extension.

After you have entered the file name and click Open, and GEM706 requests the decedent's name and date of death. Complete the window as follows:



Although you will be permitted to edit the name and date of death after the file is initialized, GEM706 does not permit you to change the year of death. *Click OK to advance to the Main Menu:*



You must first indicate whether you desire to compute the federal estate tax accurate to the nearest penny or whether you desire to round all calculations to the nearest dollar. As the screen indicates, this election is irrevocable.

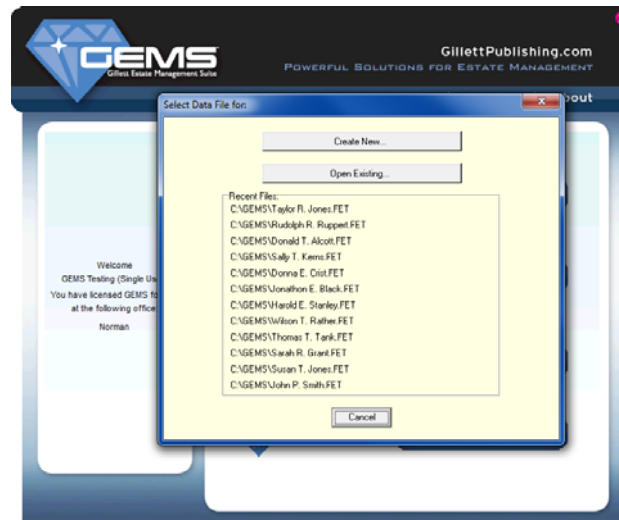
*After entering your response, click **X** in the top right corner of the window (or type F9) to exit the client data file and to return to the GEMS administrator.*

§2.05 Accessing Existing Data Files

When you select GEM706 from the Administrator to edit an existing file, you can either select a file from a list of recent files or open a data file from either the default folder, or you can browse to a different folder.

Accessing Recent Files

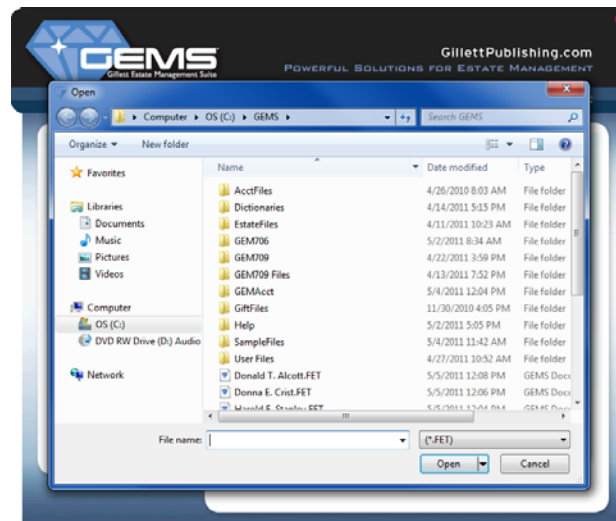
Again select GEM706 from the GEMS Administrator, and GEMS displays the last twelve files you have worked on:




GEM706 also displays the path for the folders in which you created the data files. To select one of the data files displayed, simply click on that file, and GEMS proceeds to the Main Menu.

Accessing Other Existing Files

You can also access other existing data files from the above window. *Click Open Existing, and GEM706 displays the files you have created in the current file folder:*

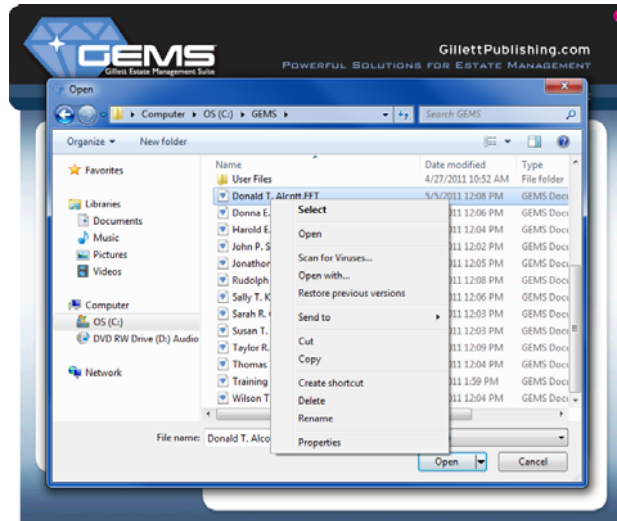


The folder where these data files are located is displayed at the top of the window. You can also click  to the right of the data field to drop down the selection box and to navigate to a different folder following general Windows conventions.

GEMS includes a sample accounting file in the SampleFiles folder when you download the software. The default path for this folder is C:\GEMS\SampleFiles and is stored in the primary GEMS folder. Remember, you may have changed this path when you installed GEMS.

§2.06 Creating Data File Copies/Back-Ups

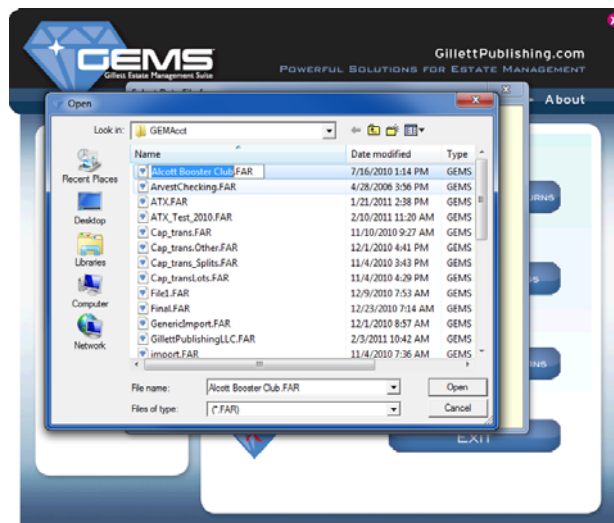
You can also create a copy of a data file in the Open window. GEM706 stores all of the information relating to each estate tax return in a separate file that you create when you initialize a new file. If you right click on a file name, a menu appears that permits you to copy, delete, e-mail, or rename a file. *To create a duplicate of an existing file, simply right click on the file name:*



Select Copy and then place the cursor at the end of your file list, right click again, and select Paste to create a copy of the file in the same folder.

§2.07 Editing File Names

To edit a name after you have created the file, right click on a file name and select Rename:



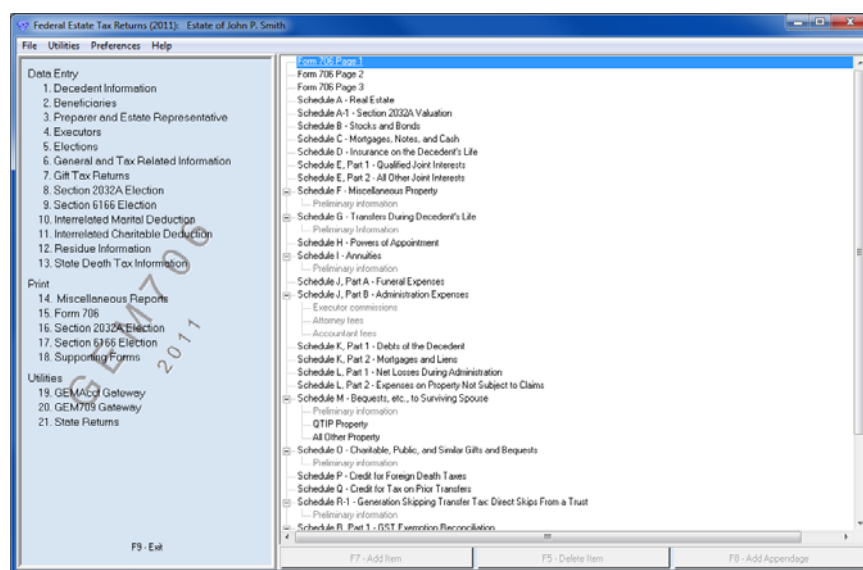
As you enter the new name, you must leave .FET extension. *Type Enter (or click anywhere on the screen) to save the changes.*

Chapter 3 Data Input, Menus, and Options

§3.01 Introduction

This chapter describes basic input procedures and provides a general overview of many of the options on the GEM706 Main Menu.

Return to the Administrator screen, click GEM706, and select the data file that you initialized earlier from the Recent Files window. GEM706 displays the Main Menu in a split screen format:



The panel on the left is the Main Menu. The schedule tree on the right reflects the items on the various schedules.

GEM706 complies with general Windows conventions, making it easy to use. The majority of GEM706's windows are devoted to the entry of the information relating to the estate's assets and liabilities. To the extent possible, GEM706 avoids asking questions that, based on your previous answers, are irrelevant. For this reason, you may see inactive questions on the screen.

§3.02 Function Keys and Cursor Control

As you navigate throughout the data entry windows, various functions keys control cursor movement. GEM706 always displays the active function keys on the screen. These keys duplicate typical Windows functionality.

Since you are not required to manually save data, there is no dedicated Save key. GEM706 automatically saves your data as you close each data entry window. This feature (common to all three GEMS modules) minimizes the chance that data will be lost if you experience a technical problem with your desktop or server application.

Options on Main Menu

To access an option on the Main Menu (the left pane), you can simply type the menu number and advance to that option directly or you can click the option with your mouse.

Cursor Control

There are several keys that control cursor movement. The Tab and Enter keys advance the cursor to the next active data field, and the shift-Tab key returns the cursor to the previous field. As you advance through a window, the cursor skips those questions that are inactive. The cursor also skips those questions associated with a radio button response that you have not already answered.

In the basic word processor, the Tab key advances you out of the text box. As a result, you must type Ctrl-Tab to enter a tab in the word processor.

Function keys

There are also several functions keys that are active in various portions of the program. To utilize these keys, you can type the function key or click the button on the screen that corresponds to the key. The various functions keys are:

- F3 Returns to the previous item on a schedule
- F4 Advances to the next item on a schedule
- F5 Deletes an item on a schedule
- F7 Adds an item to a schedule
- F8 Adds an appendage to an item
- F9 Closes the active window
- F10 Permits you to recall a macro while you are using the word processor
- F11 Access the full word processor when you are in the basic word processor window

Data Fields Generally

A data field is the available space for an answer to a specific question. *When you are on the Main Menu, select option 1 (by either typing the number 1 or clicking on Decedent Information) to display the following:*

The screenshot displays the 'Federal Estate Tax Returns (2011)' software. A 'Data Entry' window titled 'Decedent Information' is open, prompting the user to 'Enter the following decedent information:'. The form includes fields for 'First name and middle initial' (filled with 'John P.'), 'Last name' (filled with 'Smith'), 'Social security number', 'Date of birth', 'Date of death' (filled with '4/1/2011'), 'County, state and ZIP (or foreign country) of decedent's domicile', and 'Year established'. It also features radio button options for 'Testate?' and 'Retired?', and checkboxes for marital status: 'Married', 'Widowed', 'Single', 'Legally separated', and 'Divorced'. Below these are fields for 'Indicate deceased spouse's: Name', 'Social security number', and 'Date of death'. At the bottom, there are fields for 'With respect to probate or estate administration: Name and location of court', 'Case number', and 'Death certificate number and issuing authority'. The background window shows a sidebar with a list of options, with '1. Decedent Information' selected. The bottom of the window has function key buttons: 'F9 - Exit', 'F7 - Add Item', 'F5 - Delete Item', and 'F8 - Add Appendage'.

The first data field requests the decedent's first name and middle initial. You entered this information when you initialized the data file. You must abbreviate your answer in the event that it is longer than the field length. GEM706 sometimes scrolls your response, and displays only the first portion when you exit the data field. To edit a data field, position the cursor using the mouse or the → and ← keys. In addition:

- Ctrl → Advances to the next word
- Ctrl ← Returns to the previous word

End advances to the end of the data field
Home returns to the beginning of the data field
Tab and Enter advances to the next data field
Shift-Tab returns to the previous data field

Click  (or type F9) to close the active window and return to the Main Menu.

Dollar amounts

GEM706 places the decimal point immediately to the right of the last digit that you entered. Thus, you may enter \$1,125.00 by typing any of the following strings:

\$1,125	\$1,125.00
1,125	1,125.00
1125	1125.00

You can enter a negative number by typing a minus sign or by enclosing the number in parentheses. For example, you can enter (\$1,125.00) by typing any of the following strings:

\$-1,125	\$-1,125.00
-1125	-1,125.00
(1125)	(1125.00)

Percentages

GEM706 computes all percentages accurate to six decimal places. In other words, the fraction one-third is expressed as 33.3333 percent. You cannot enter a negative number or an amount greater than 100 per cent.

It is not necessary to enter either the percent sign or the decimal point. If you do not enter a decimal point, GEM706 places the decimal point immediately to the right of the last digit that you entered.

Dates

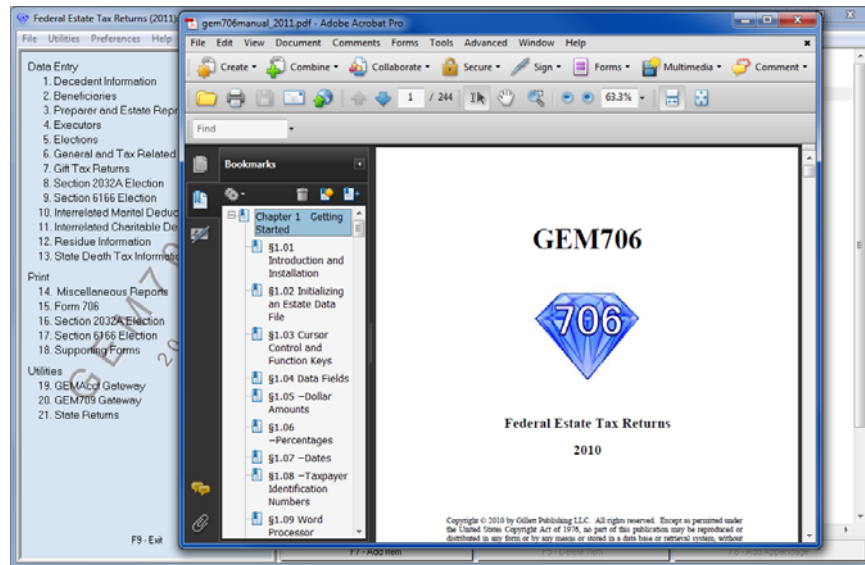
If GEM706 requests a date, you may only enter the numbers 0 through 9 and the character /. GEM706 displays all dates in the following format: mm/dd/yyyy. You may enter all four digits of the year or only the last two digits. If you only enter two digits, GEM706 completes the year by adding 20 to the beginning.


§3.03 Menu Bar

There are several important program features and options found on the menu bar at the top of the Main Menu.

§3.04 – Help

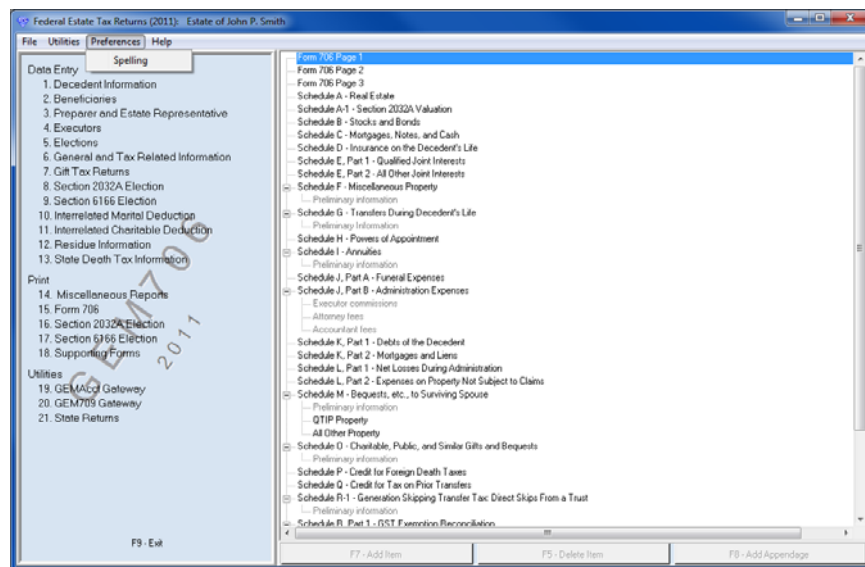
Click Help on the menu bar and then click GEM706 Manual to access the extensive manual:



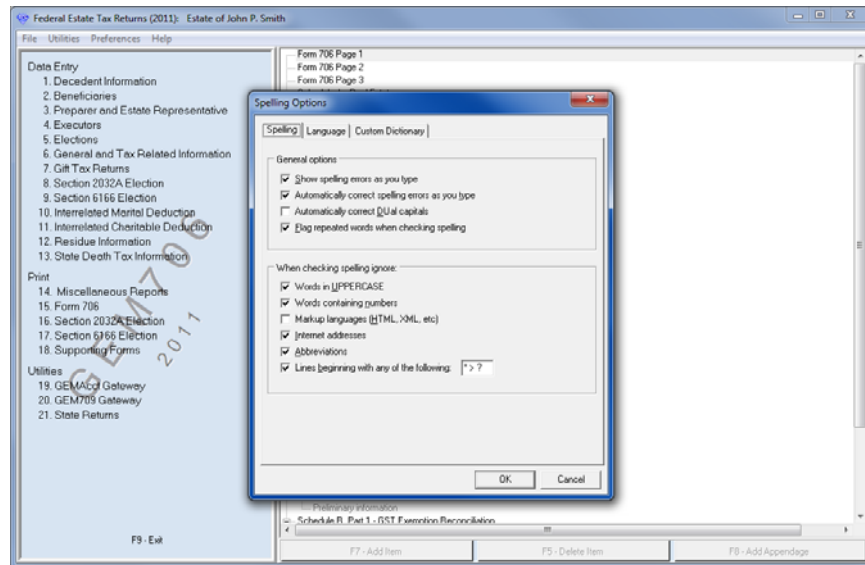
The table of contents shows in the left bar. You can click on any section to access it directly. You can also search for key words by using the Find field. *Click  to close the active window and return to the Main Menu.*

§3.05 – Preferences

Click Preferences on the menu bar, and GEM706 displays Spelling:

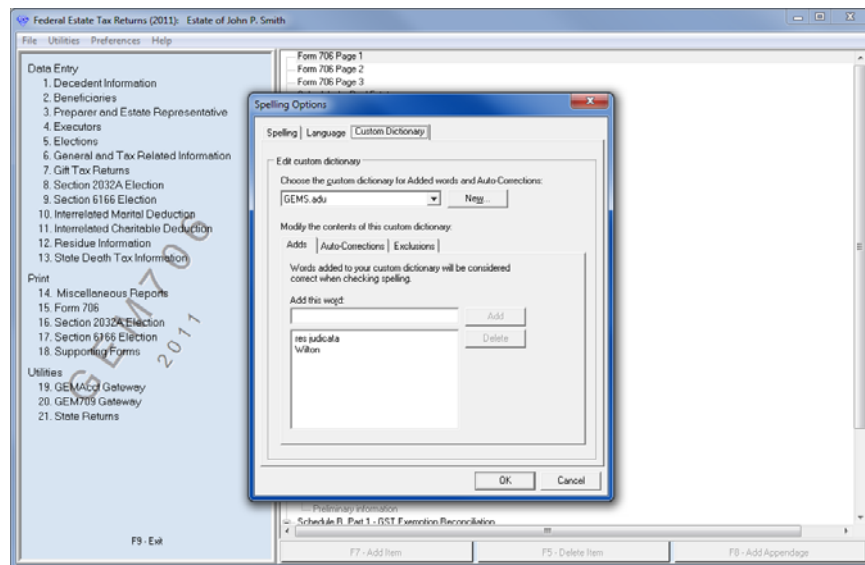


GEM706 incorporates a sophisticated spell checker that highlights misspelled words in both the basic and full word processors. *Click Spelling to configure the spell checker:*



You will normally want to show and correct errors as you type. Remember, the options you select apply to GEM706 and to all other GEMS modules. In other words, if you configure the spell checker in GEM706, those settings will also apply to GEMAcct. To turn off the spell checker, make sure that the first four options are not checked.

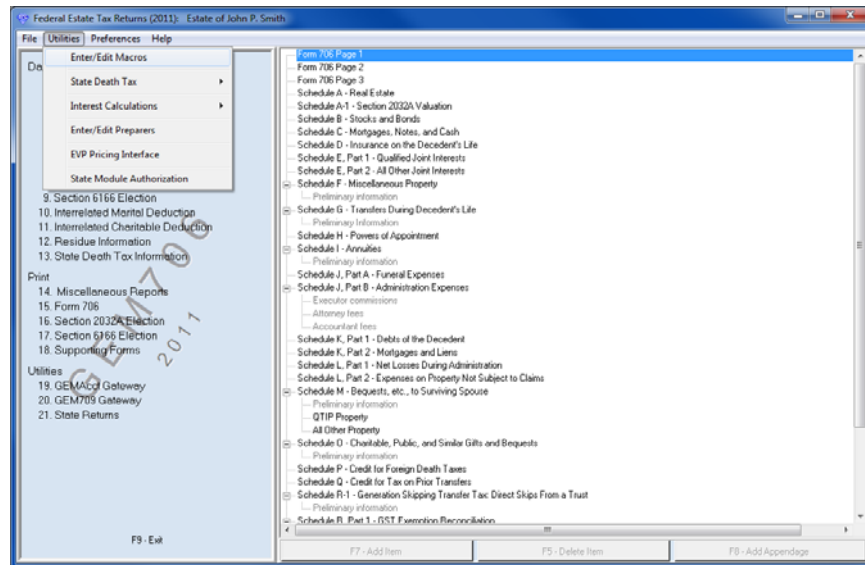
Click the Custom Dictionary tab at the top of the window to add additional words to the dictionary:



If you click Auto-Corrections, GEMS lists those corrections that it automatically makes. You can add additional corrections or delete existing ones. If you click Exclusions, you can delete words from the dictionary. For more information, see §1.10 of the GEM706 manual. *Click OK (or type F9) to return to the Main Menu.*

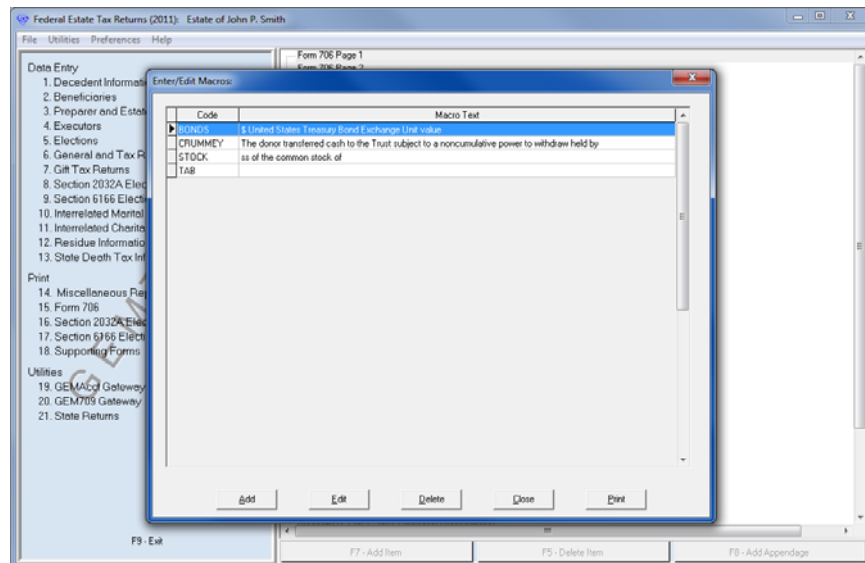
§3.06 – Utilities

Click Utilities on the menu bar, and GEM706 displays several options:

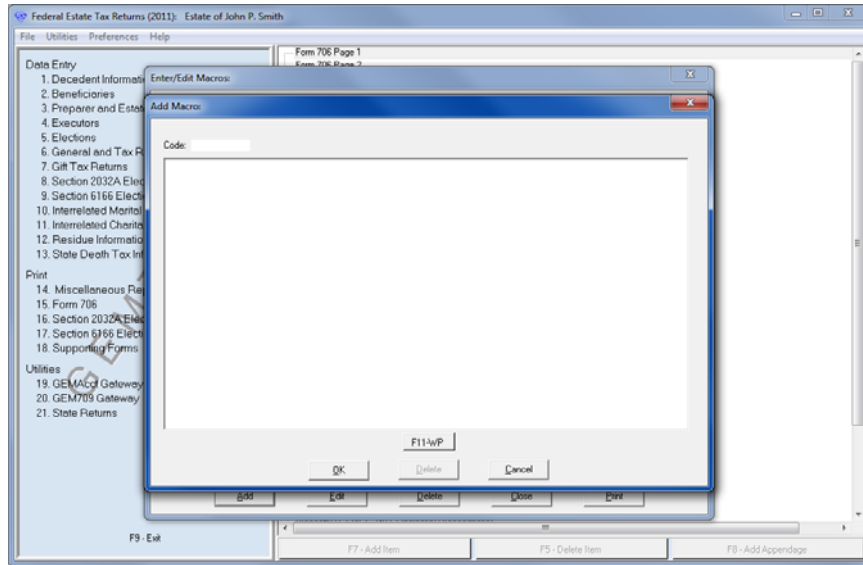


Edit/Enter Macros


The macro feature is a word processing function that allows you to create and save text you may wish to use repeatedly. Macros give your returns a more consistent appearance. *Select Enter/Edit Macros, and GEM706 displays the following:*



To enter a new macro, click Add at the bottom of the window:



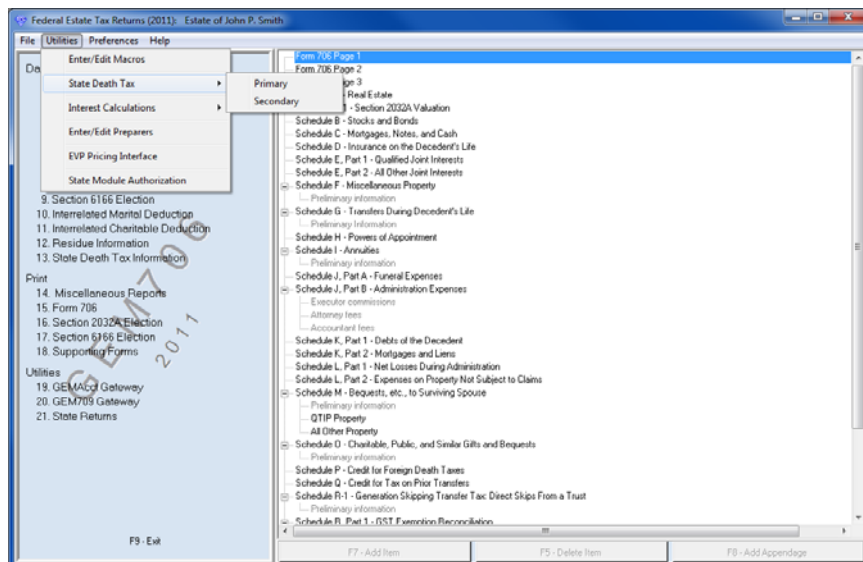
You must first identify the macro by entering a code at the top of the window and then enter the text.

You can recall and use macros by clicking Macro below the word processor window (or typing F10). After you select a macro, GEM706 inserts the text into the word processor beginning at the cursor's current location. Although you can enter new macros as you are entering descriptions, you must return to Utilities on the Menu bar to edit existing macros. *Click Cancel to return to the first window, and then click  (or type F9) to return to the Main Menu.*

State Death Tax

GEM706 permits you to enter sufficient information to compute state death taxes in most situations. This information is utilized in connection with the calculation of the deduction for state death taxes shown on line 3b, page 1, Form 706 (see §3.03 of the GEM706 manual) and the amounts passing to beneficiaries that appear in the table on page 2, Form 706 (see §§2.03-2.05 of the GEM706 manual). It is also necessary to enter information with respect to the state death taxes to perform interrelated calculations involving marital and charitable deductions (see Chapter 5 of the GEM706 manual).

Again, select Utilities on the menu bar and then select State Death Tax:



You can define state death taxes for two different states. *Click on Primary to display a tax table that has already been entered:*

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess
\$ 0.00	\$ 40,000.00		
\$ 40,000.00	\$ 90,000.00		0.80%
\$ 90,000.00	\$ 140,000.00	\$ 400.00	1.60%
\$ 140,000.00	\$ 240,000.00	\$ 1,200.00	2.40%
\$ 240,000.00	\$ 440,000.00	\$ 3,600.00	3.20%
\$ 440,000.00	\$ 640,000.00	\$ 10,000.00	4.00%
\$ 640,000.00	\$ 840,000.00	\$ 18,000.00	4.80%
\$ 840,000.00	\$ 1,040,000.00	\$ 27,600.00	5.60%
\$ 1,040,000.00	\$ 1,540,000.00	\$ 38,800.00	6.40%
\$ 1,540,000.00	\$ 2,040,000.00	\$ 70,800.00	7.20%
\$ 2,040,000.00	\$ 2,540,000.00	\$ 106,800.00	8.00%

You should enter a descriptive name for the state tax at the top of the window. You must also indicate whether the state imposes a tax at the estate level (similar to the federal estate tax estate) or at the beneficiary level (such as an inheritance tax).

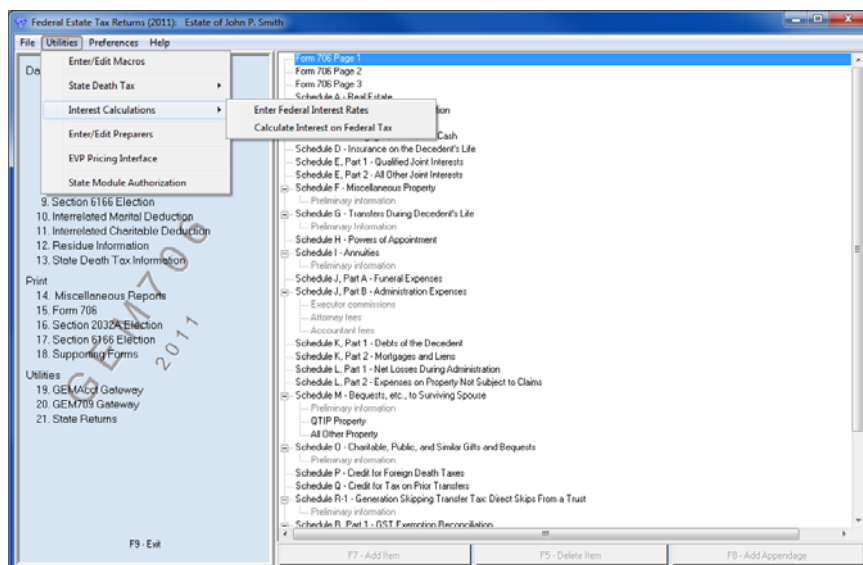
Many states impose a tax based on the repealed federal credit for state death taxes. See IRC §2011 (repealed effective 2005). For purposes of that calculation, you were permitted to reduce the federal taxable estate by an additional \$60,000. If you select Yes in answer to the first question, GEM706 automatically reduces the taxable estate by \$60,000. If you select Yes in answer to the second question, GEM706 completes the estate table in accordance with the table used to compute the repealed federal credit for state death taxes. If your state does not impose an estate tax based on the federal credit for state death taxes, you should answer these two questions negatively and enter the estate tax table.

You can also indicate that your state imposes an inheritance tax, in which case you can enter separate tax brackets for each beneficiary classification.

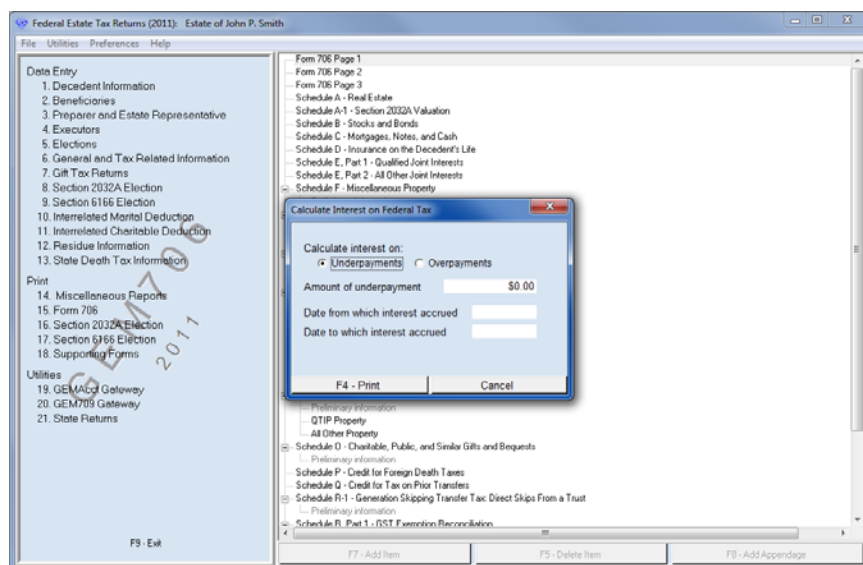
Click  (or type F9) to close the active window and return to the Main Menu.

Interest Calculations

GEM706 calculates interest on underpayments and overpayments of federal estate tax. *Again, select Utilities on the menu bar and then select Interest Calculations:*



The first option permits you to enter interest rates that have been released since GEM706's last update. *Click on Calculate Interest on Federal Tax to compute interest:*




After you indicate whether it is an underpayment or overpayment, the amount and the dates, click Print (or type F4) to display the report:

Report Preview

INTEREST ON FEDERAL TAX - UNDERPAYMENT
From 04/13/2005 to 06/01/2008

Accrual Period		Days	Rate	Balance Accruing Interest	Interest Accrued Before Period	Interest Accrued During Period
From	To					
4/14/2005	6/30/2005	78	6%	\$56,432.00	\$0.00	\$728.16
7/1/2005	9/30/2005	92	6%	\$57,160.16	\$728.16	\$870.94
10/1/2005	12/31/2005	92	7%	\$58,031.10	\$1,599.10	\$1,032.87
1/1/2006	3/31/2006	90	7%	\$59,063.97	\$2,631.97	\$1,028.20
4/1/2006	6/30/2006	91	7%	\$60,092.17	\$3,660.17	\$1,057.83
7/1/2006	9/30/2006	92	8%	\$61,150.00	\$4,718.00	\$1,245.43
10/1/2006	12/31/2006	92	8%	\$62,395.43	\$5,963.43	\$1,270.79
1/1/2007	3/31/2007	90	8%	\$63,666.22	\$7,234.22	\$1,268.20
4/1/2007	6/30/2007	91	8%	\$64,934.42	\$8,502.42	\$1,307.98
7/1/2007	9/30/2007	92	8%	\$66,242.40	\$9,810.40	\$1,349.14
10/1/2007	12/31/2007	92	8%	\$67,591.54	\$11,159.54	\$1,376.62
1/1/2008	3/31/2008	91	7%	\$68,968.16	\$12,536.16	\$1,210.73
4/1/2008	6/1/2008	62	6%	\$70,178.89	\$13,746.89	\$716.87
Total Interest Accrued \$14,463.76						

The options in the top left portion of the window permit you to send the report to your printer or to create a PDF, Word or Excel file. Click  (or type F9) to return to the Main Menu.

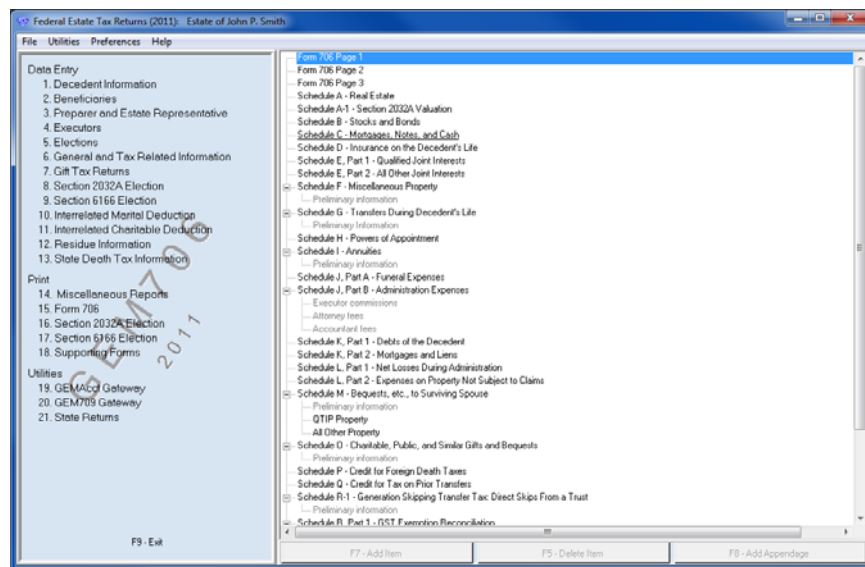
Remaining Utilities Options

The remaining options under Utilities on the menu bar at the top of the window permit you to define preparers that you can then reference within each data file and to interface with EVP to value stocks, bonds, and other securities.

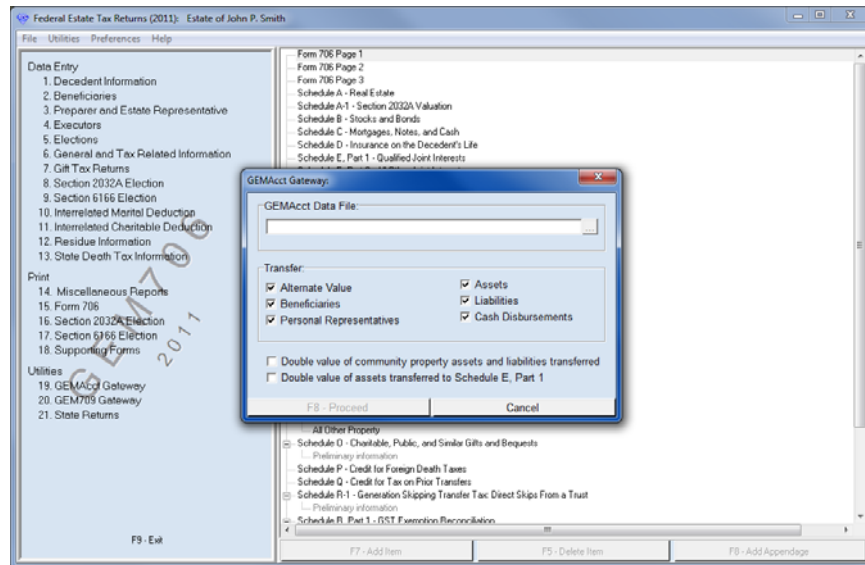
Chapter 4 General Data Entry

§4.01 Introduction

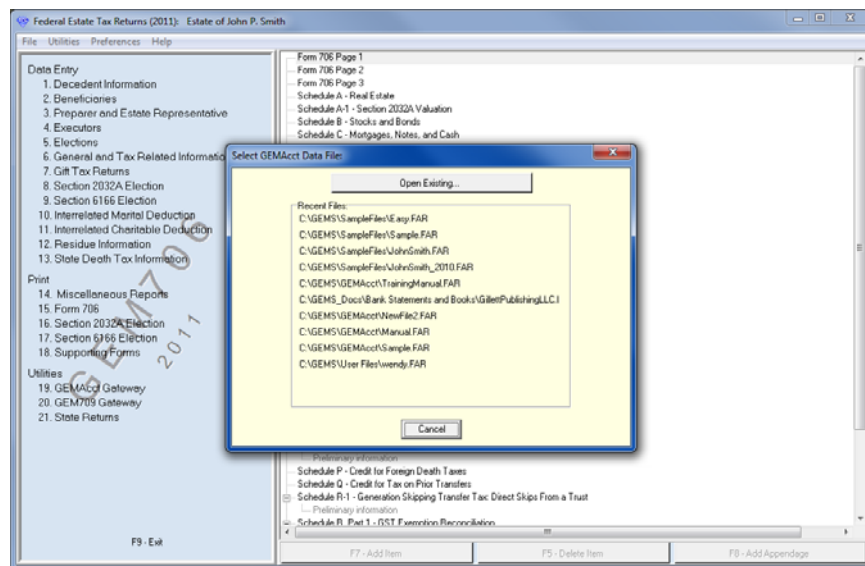
When you create a new data file (or when you edit an existing data file), GEM706 displays a split screen, with the Main Menu on the left and the schedule tree on the right:



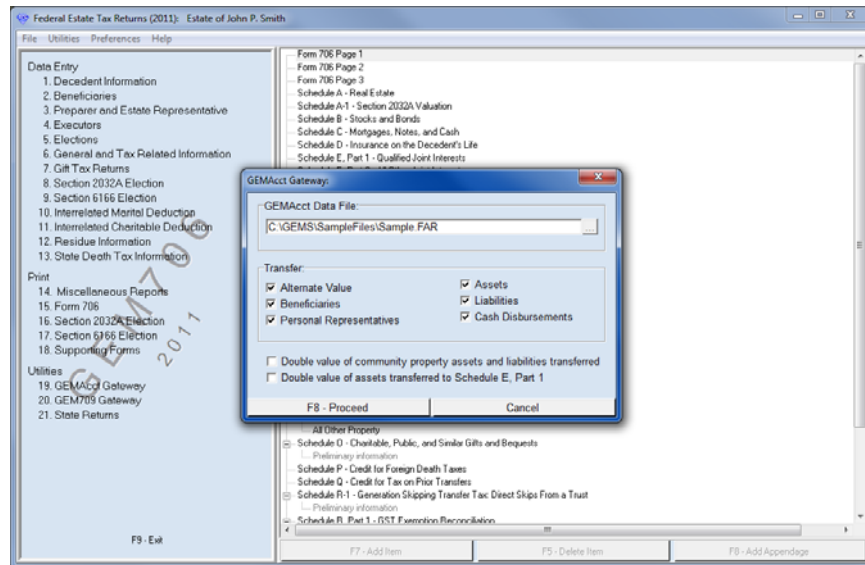
The Main Menu guides you through data entry, printing, and utilities. Although you can enter all of the information required to complete Form 706 directly in GEM706, it is helpful for training purposes to transfer information from the estate's accounting that has already been completed. *Select option 19 on the Main Menu by clicking that option (or typing 19):*



Click  to the right of the GEMAcct Data File box, and GEM706 displays the most recent accounting files that you have been working on.



GEMS includes a sample accounting file in the SampleFiles folder when you download the software. The default path for this folder is C:\GEMS\SampleFiles and is stored in the primary GEMS folder. Remember, you may have changed this path when you installed GEMS. If the file Sample.FAR does not appear in the above window, click Open Existing and use standard Windows techniques to locate the file. See §2.05. *Click on Sample.FAR to select the file:*

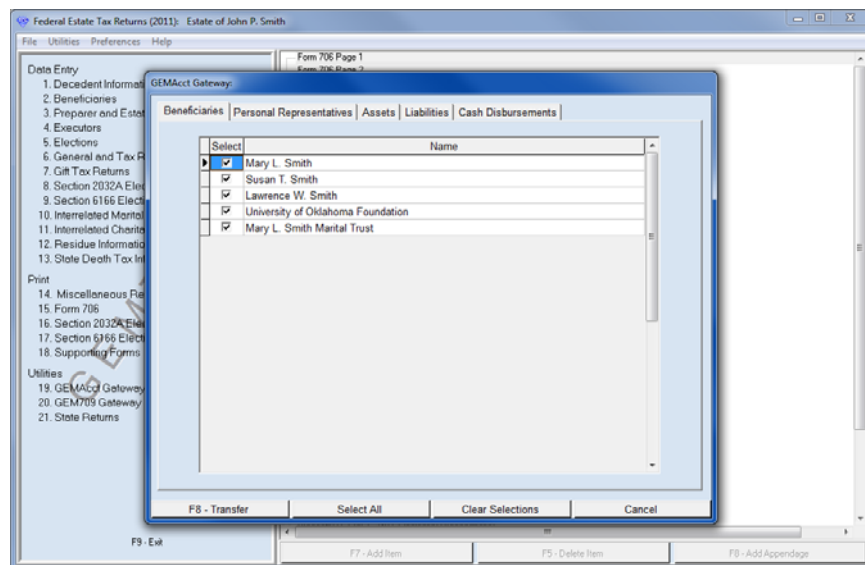


You are permitted to transfer assets from more than one accounting file (for example, from an estate and a revocable trust that the decedent established during his life). You can also transfer from the same accounting file more than once (for example, if you later include additional items in the estate's inventory). Since this is the first gateway you are performing, you should check all of the boxes in the middle of the window.

GEM706 gives you two additional options at the bottom of the window. For purposes of the federal estate tax return, the Instructions to Form 706 require you to list the full value of community property and then subtract out the surviving spouse's interest. If you only inventoried the decedent's interest in the community assets, you should instruct GEM706 to double the value of all community assets and debts. When GEM706 subsequently subtracts out the surviving spouse's interest on the various schedules, the taxable estate will only reflect the decedent's interest.

The same principles apply with respect to qualified joint interests transferred to Schedule E, Part 1. If the decedent and his or her spouse were the only joint tenants, IRC §2040(b) provides that only one-half of the property is included in the decedent's gross estate. If you included the joint tenancy property in the inventory at only one-half of its fair market fair, you can instruct GEM706 to double the value when it is transferred to Schedule E, Part 1.

After you have answered these questions, click Proceed (or type F8):



The tabs at the top of the window permit you to specifically identify the information you wish to transfer to GEM706. *Click on the Assets tab:*

The screenshot shows the 'GEM706 Gateway' window with the 'Assets' tab selected. The window displays a list of assets with columns for 'Select', 'Item', 'Title', 'Sch', 'Value', and 'Alt. Value'. The assets listed include various bank accounts, stocks, and bonds. The 'F8 - Transfer' button is highlighted at the bottom.

Select	Item	Title	Sch	Value	Alt. Value
<input checked="" type="checkbox"/>	110.001	First National Bank - NOW checking account	C	32,586.00	32,586.00
<input checked="" type="checkbox"/>	130.001	Charles Schwab Brokerage Account	C	26,335.92	26,335.92
<input checked="" type="checkbox"/>	130.002	Fidelity Brokerage Account	C	15,344.74	15,344.74
<input checked="" type="checkbox"/>	150.001	Bellsouth Corp.	B	107,502.00	
<input checked="" type="checkbox"/>	150.002	Ford Motor Company	B	46,250.00	
<input checked="" type="checkbox"/>	150.004	HNI Corporation	B	105,000.00	
<input checked="" type="checkbox"/>	150.005	Quad City Bank and Trust	B	97,000.00	
<input checked="" type="checkbox"/>	150.006	SBC Communications, Inc.	B	20,600.00	
<input checked="" type="checkbox"/>	150.009	IBM	B	129,375.00	
<input checked="" type="checkbox"/>	150.010	Microsoft Corp.	B	194,880.00	
<input checked="" type="checkbox"/>	165.001	Franklin Income Fund	B	61,827.55	
<input checked="" type="checkbox"/>	165.002	Vanguard S&P 500 Index Fund	B	54,538.28	
<input checked="" type="checkbox"/>	165.003	Transamerica Index Fund	B	153,251.27	
<input checked="" type="checkbox"/>	165.004	Fidelity Contra Fund	B	65,813.75	
<input checked="" type="checkbox"/>	165.005	Fidelity Magellan Fund	B	203,682.06	
<input checked="" type="checkbox"/>	200.001	\$50,000 US Treasury	B	56,265.00	
<input checked="" type="checkbox"/>	210.001	\$20,000 Iowa Finance Authority	B	19,288.00	
<input checked="" type="checkbox"/>	210.002	\$50,000 Carter Lake, Iowa Urban Renewal	B	49,725.00	
<input checked="" type="checkbox"/>	210.003	\$50,000 Wisconsin Health Facility	B	50,075.00	

GEM706 lists those assets that will be transferred to Form 706, together with their value and the schedule on which they will appear. *Click Transfer (or type F8) to perform the gateway.* GEM706 returns to the Main Menu, displaying the information transferred from the accounting file:

The screenshot shows the 'GEM706 Gateway' window with the 'Form 706 Page 1' tab selected. The window displays a list of assets transferred to Form 706, including Real Estate, Schedule A-1 - Section 2032A Valuation, Schedule B - Stocks and Bonds, and Schedule C - Mortgages, Notes, and Cash. The assets are listed with their respective values and schedules.

Schedule	Item	Title	Value
Schedule A-1 - Section 2032A Valuation	1	320 acre farm located in Muscatine County, Iowa, more particularly described as follows: The south half of Section 16, ...	1,280,000.00
Schedule B - Stocks and Bonds	1	Bellsouth Corp. Unit value \$26.22 Number of units 4,100 Exchange NYSE	107,502.00
Schedule B - Stocks and Bonds	2	Ford Motor Company Unit value \$18.50 Number of units 2,500 Exchange NYSE	46,250.00
Schedule B - Stocks and Bonds	3	HNI Corporation Unit value \$52.50 Number of units 2,000 Exchange NYSE	105,000.00
Schedule B - Stocks and Bonds	4	Quad City Bank and Trust Unit value \$24.25 Number of units 4,000 Exchange Nasdaq	97,000.00
Schedule B - Stocks and Bonds	5	SBC Communications, Inc. Unit value \$25.75 Number of units 800 Exchange NYSE	20,600.00
Schedule B - Stocks and Bonds	6	IBM Unit value \$86.25 Number of units 1,500 Exchange NYSE	129,375.00
Schedule B - Stocks and Bonds	7	Microsoft Corp. Unit value \$22.40 Number of units 8,700 Exchange NYSE	194,880.00
Schedule B - Stocks and Bonds	8	Franklin Income Fund Class B Unit value \$37.77 Number of units 16,399.08	61,827.55
Schedule B - Stocks and Bonds	9	Vanguard S&P 500 Index Fund Unit value \$10.42 Number of units 5,234	54,538.28
Schedule B - Stocks and Bonds	10	Transamerica Index Fund Unit value \$9.39 Number of units 17,046.86	153,251.27
Schedule B - Stocks and Bonds	11	Fidelity Contra Fund Unit value \$45.25 Number of units 1,423	65,813.75
Schedule B - Stocks and Bonds	12	Magellan Unit value \$55.22 Number of units 3,123	203,682.06
Schedule B - Stocks and Bonds	13	\$50,000 US Treasury Interest rate 5.6% Interest due date 06/01 and 12/01 Maturity date 12/01/2013	56,265.00
Schedule B - Stocks and Bonds	14	\$20,000 Iowa Finance Authority Community Rehabilitation Proceeds Interest rate 5.6% Interest due date 06/01 and 12/01	19,288.00
Schedule B - Stocks and Bonds	15	\$50,000 Carter Lake, Iowa Urban Renewal Interest rate 5.00% Interest due date 06/01 and 12/01 Maturity date 06/01/2013	49,725.00
Schedule B - Stocks and Bonds	16	\$50,000 Wisconsin Health Facility Interest rate 5.25% Interest due date 03/01 and 09/01 Maturity date 09/01/2013	50,075.00
Schedule C - Mortgages, Notes, and Cash	1	First National Bank - NOW checking account Acct. number 161-133-2	32,586.00
Schedule C - Mortgages, Notes, and Cash	2	Central State Bank money market account Acct. number 5672-0988	26,335.92
Schedule C - Mortgages, Notes, and Cash	3	Fidelity Brokerage Account Acct. number 54-089584	15,344.74
Schedule C - Mortgages, Notes, and Cash	4	\$100,000 certificate of deposit with First National Bank Cert. number 2738253-6 Interest rate 4.10% Maturity date 12/31/2013	100,000.00
Schedule C - Mortgages, Notes, and Cash	5	\$75,000 certificate of deposit with Central State Bank Cert. number 5704-3044 Interest rate 3.95% Maturity date 11/30/06	75,000.00

§4.02 State Death Tax Information

As discussed in §3.06, you can enter sufficient information to permit GEM706 to compute the state death taxes. This information is utilized in connection with the calculation of the deduction for state death taxes shown on line 3b, page 1, Form 706 (see §3.03 of the GEM706 manual) and the completion of the beneficiary table on page 2, Form 706 (see §§2.03-2.05 of the GEM706 manual). It is also necessary to enter information with respect to the state death taxes to perform interrelated calculations involving marital and charitable deductions (see Chapter 5 of the GEM706 manual).

Before exploring other options on the Main Menu, select option 13 by clicking on that option (or by typing 13), and complete the screen as follows:

The screenshot shows the 'Federal Estate Tax Returns (2011)' software interface. The main window has a menu bar (File, Utilities, Preferences, Help) and a list of items on the left. A dialog box titled 'State Death Tax Information' is open, showing 'Decoupled state' and 'Amount of state death tax in addition to amount automatically computed' as 107,502.00. The dialog also has tabs for 'Primary/Secondary Rates' and 'State Tax Information', and checkboxes for 'Primary' and 'Secondary'.

Item	Value
1. Decedent Information	
2. Beneficiaries	
3. Property and	
4. Executors	
5. Elections	
6. General and T	
7. Gift Tax Return	
8. Section 2032A	
9. Section 6166	
10. Interrelated M	
11. Interrelated C	
12. Residue Infor	
13. State Death T	
14. Miscellaneous	
15. Form 706	
16. Section 2032A	
17. Section 6166	
18. Supporting Do	
Utilities	
19. GEMAC or G	
20. GEM705 Gate	
21. State Returns	

Item	Value
Section 16...	1,280,000.00
Section 31...	720,000.00
	107,502.00
	46,250.00
	105,000.00
	495.00
	57,000.00
	20,600.00
	128,375.00
	194,800.00
	61,827.55
	54,530.20
	153,251.27
	65,813.75
	203,682.06
	56,265.00
5/01 and 12...	19,288.00
	57.55
y date 06/01...	49,725.00
	146.33
01/2013	50,075.00
	311.40
	32,586.00
	26,336.92
	15.67
y date 12/31...	15,344.74
	100,000.00
	215.25
	75,000.00
	47.11

In **§3.06**, you indicated that the Primary state is a decoupled state that imposes a tax equal to the repealed federal credit for state death taxes. Above, you indicated that the decedent died in the primary state. [Click !\[\]\(2e897e890e69d81eae4503a8342c36b0_img.jpg\) \(or type F9\) to return to the Main Menu.](#)

§4.03 Residue Information

GEM706 computes the residue of the estate and an intervivos trust, automatically making adjustments to reflect changes in assets and liabilities included on Form 706.

When entering information with respect to the amount which each beneficiary received for purposes of completing the beneficiary table on page 2, Form 706, you can indicate that a beneficiary received a percent of the residue. See **§4.05**.

In addition, you can value items passing to the surviving spouse on Schedule M and to charity on Schedule O as a percent of the residue of the estate or an intervivos trust. See **§5.15**. If the spouse or charity received a portion of the residue, the Instructions for Form 706 require you to attach a computation of the residue. When printing Form 706, GEM706 prints a summary of the residue calculation after Schedules M and O. You may elect to attach this summary to Form 706 to satisfy the reporting requirement.

Select option 12 to enter the information required to compute the residue:

Federal Estate Tax Returns (2011): Estate of John P. Smith

File Utilities Preferences Help

Data Entry

- 1. Decedent Information
- 2. Beneficiaries
- 3. Preparer and Estate Representative
- 4. Exemptions
- 5. Elections
- 6. General and Tax Related
- 7. Gift Tax Returns
- 8. Section 2032A Election
- 9. Section 6166 Election
- 10. Interrelated Marital Deduction
- 11. Interrelated Charitable Deduction
- 12. Residue Information
- 13. State Death Tax Information

Print

- 14. Miscellaneous Reports
- 15. Form 706
- 16. Section 2032A Election
- 17. Section 6166 Election
- 18. Supporting Forms

Utilities

- 19. GENMAG Gateway
- 20. GENMOS Gateway
- 21. State Returns

Form 706 Page 1
Form 706 Page 2
Form 706 Page 3

Residue Information:

Estate Residue		Inter vivos Trust Residue	
Gross estate (line 1, Form 706)		\$3,831,638.28	
Less:			
Assets listed on Schedule G	\$0.00		
Other assets passing outside probate			
Deductions on Schedules J, K, and L	\$190,200.99		
Life insurance associated with beneficiary on Schedule D	\$0.00		
Joint interests associated with beneficiary on Schedule E	\$0.00		
Annuities associated with beneficiary on Schedule I	\$0.00		
Prerogative gifts identified in Beneficiaries	\$0.00		
Additional prerogative gifts			
Deductions claimed on Form 1041			
Total reductions	(\$190,200.99)		
Plus:			
Administration expenses claimed on Schedule J but payable out of income			
Total additions	\$0.00		
Estate residue prior to payment of taxes	\$3,641,437.29		

Section 16. 1,200,000.00
on Section 3. 720,000.00

05/01 and 12. 13,200.00
My date 06/0. 43,725.00
10/01/2013 50,075.00
My date 12/01. 100,000.00

21.48
28,256.92
15.67
15,344.74
97.33

5 \$75,000 certificate of deposit with Central State Bank. Cert. number 5784-3044 Interest rate 3.99% Maturity date 11/30/2013
1 Interest on above item accrued as of decedent's death

F9: Exit
F7: Add Item
F5: Delete Item
F8: Add Appendix

Note that there are two tabs, one for the estate's residue and one for the intervivos trust's residue. Although we will only discuss how to compute the estate's residue, the principles are the same.

GEM706 first reduces the gross estate by the intervivos transfers on Schedule G. In the event that there are other assets passing outside probate (other than life insurance, joint interests, and annuities discussed below), you should enter that amount in the first data field.

GEM706 also automatically removes funeral and administration expenses on Schedule J, debts on Schedule K, and losses during administration and expenses incurred in administering property not subject to claims on Schedule L.

GEM706 displays the value of life insurance entered on Schedule D and annuities entered on Schedule I for which you identified the beneficiaries. See §5.12. If you identify the beneficiaries when you enter an item on Schedule D or I, that item is treated as passing to those beneficiaries and reduces the amount available for distribution to the residuary beneficiaries. GEM706 only reduces the residue by that percentage of the fair market value that you associated with beneficiaries. In other words, if you fail to enter the beneficiaries for an item listed on Schedule D or I, GEM706 assume that it is payable to the estate.

GEM706 displays the value of qualified joint interests entered on Part 1, Schedule E, and the value of other joint interests entered on Part 2 for which you identified the surviving cotenants. If you identify the cotenants for joint interests listed on Part 2, Schedule E, the item is treated as passing to those beneficiaries and reduces the amount available for distribution to the residuary beneficiaries. If you fail to enter the cotenants for an item listed on Part 2, GEM706 does not reduce the residue by the amount of that item.

The next entry includes the preresiduary gifts entered in the Beneficiaries program division which you indicated should be applied against the estate's residue and the amount passing to unascertainable beneficiaries which you indicated should be applied against the estate's residue. See §4.05.

The next data field permits you to enter the amount of any other preresiduary gifts that are not reflected on the preceding line. Your entry will appear as a single adjustment on the residue report.

GEM706 also permits you to enter two additional negative adjustments. If you only want to enter a single adjustment and if the description exceeds the space available, you can use both lines to describe the adjustment. You should enter these adjustments as positive amounts.

As discussed above, the residue has already been reduced by the administration expenses listed on Schedule J. However, if those expenses are payable from the estate's income, they may not reduce the amount passing to the estate's residuary beneficiaries. The first data field in the lower portion of the window permits you to enter the administration expenses included on Schedule J which are payable from the estate's income, permitting GEM706 to restore this amount to the residue. You can also describe and enter two additional positive adjustments to the estate's residue.

GEM706 displays the value of the estate's residue at the bottom of the window. This amount is used in other portions of the program. [Click !\[\]\(d5d7044e5caf6907399af2dced8d6ff8_img.jpg\) \(or type F9\) to return to the Main Menu.](#)

§4.04 Decedent Information

Select option 1, Decedent Information:

All of the questions from various portions of the return relating to the decedent appear in the above window. For training purposes, you do not have to complete all of the data fields. *However, you should indicate that the decedent was married, and click **X** (or type F9) to return to the Main Menu.*

§4.05 Beneficiaries

On page 2, Form 706, you must supply specific information with regard to the estate's beneficiaries, including how much each beneficiary received. *Select option 2, Beneficiaries, and GEM706 displays those beneficiaries transferred from the accounting file:*

In the beneficiary table on page 2, you are directed to aggregate the gifts to all beneficiaries who receive less than \$5,000. The first entry in the above window permits you to enter this amount.

To add a new beneficiary, click Add Bene and complete the beneficiary window. To edit an existing beneficiary, highlight that beneficiary and click Edit Bene. Mary L. Smith was the surviving spouse. *Select her by highlighting her name and clicking Edit Bene (or by double clicking her name):*

If you identify a beneficiary as the surviving spouse, GEM706 only displays the General Information tab at the top of the window. You enter residual gifts to the spouse that qualifying for the marital deduction on Schedule M. See §5.15. In addition, you must select option 10 on the Main Menu to enter information relating to the taxes payable from transfer qualifying for the marital deduction.

You must report the amount that the spouse received on line 4c, page 2, Form 706. GEM706 automatically computes this amount by using the net marital deduction shown on line 6, Schedule M. However, the spouse may have received assets which do not qualify for the marital deduction. In addition, the full amount of any QTIP property passing to the surviving spouse is also included on line 6, Schedule M, and you may prefer to reflect on line 4c, page 2, only the actuarial value of the spouse's life estate. In completing line 4c, GEM706 adds the amount you enter in response to the question appearing after the Spouse radio button to the marital deduction shown on Schedule M. To reduce the marital deduction shown on Schedule M, enter a negative number.

At the bottom of the screen, GEM706 displays the amount of life insurance which you indicated passed to the spouse on Schedule D, the amount of annuities which you indicated passed to the spouse on Schedule I, and the amount of qualified joint interests listed on Schedule E, Part 1 (together with any interests listed on Part 2, Schedule E, for which the spouse was a surviving joint tenant). The data fields at the bottom of the screen permit you to enter information relating to other preresiduary gifts that the spouse received. GEM706 uses this information only in connection with the residue calculation. These data fields are discussed in more detail below. [Click !\[\]\(0f848bbd71cef6b345273b16f905912a_img.jpg\) to return to the beneficiary selection window, and select Susan T. Smith, the decedent's daughter:](#)

The questions at the bottom of the window and under the Residual Gifts and Apportionment tab permit you to describe the amount that Susan received for purposes of completing the beneficiary table on page 2, Form 706. Your answers may also affect the value of the estate's and trust's residues.

GEM706 displays the amount of life insurance that you indicated passed to the beneficiary on Schedule D, the amount of annuities which you indicated passed to Susan on Schedule I, and the amount of joint interests listed on Schedule E, Part 2, for which Susan was a surviving joint tenant. See §§5.12-5.13. You can also enter up to three additional preresiduary gifts at the bottom of the window. Opposite each gift, you should indicate whether the gift should be used in computing the estate's or trust's residue. If you fail to indicate whether the preresiduary gifts relate to the estate or trust, GEM706 does not reduce either residue by the amount of the gift.


The last question requests whether you desire to include this beneficiary in the table on page 2, Form 706. *Make sure that the Yes radio button is checked, and then click on the Residual Gifts and Apportionment tab:*

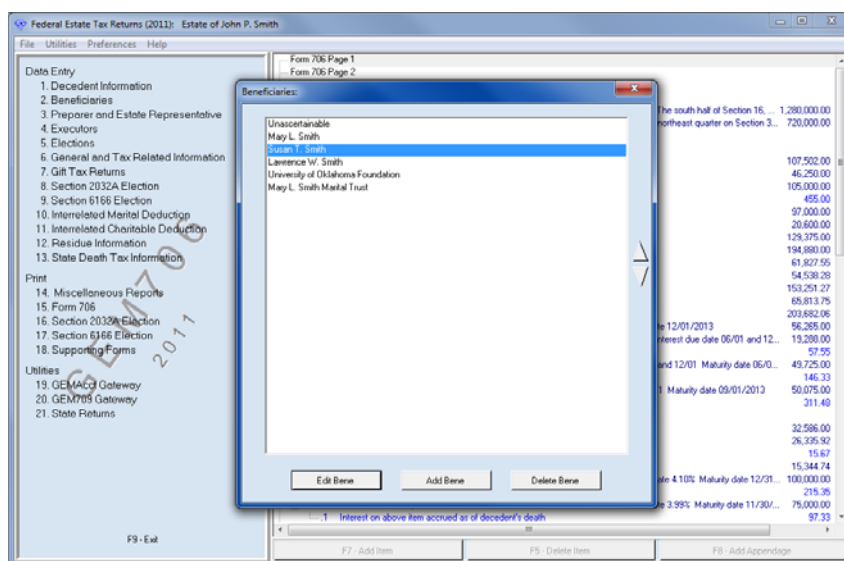
The gifts that Susan received entered under the General Information tab will be increased by any residual gifts she receives and will be reduced by any death taxes which that she pays, both of which are entered under the Residual Gifts and Apportionment tab.

The first question requests that portion of the residue of the estate and intervivos trust which Susan received. You must advance to option 12 on the Main Menu to enter sufficient information to compute these amounts. See **§4.03**. You should also print the residue report to verify that the amount is computed properly. See **§10.02**.

For purposes of completing the beneficiary table on page 2, Form 706, GEM706 combines the following amounts:

1. Life insurance (entered on Schedule D and shown under the General Information tab);
2. Joint tenancy property (entered on Schedule E, Part 2, and shown under the General Information tab);
3. Annuities (entered on Schedule I and shown under the General Information tab);
4. Preresiduary gifts (entered under the General Information tab); and
5. That portion of the residue which the beneficiary received (entered under the Residual Gifts and Apportionment tab).

From this total, GEM706 subtracts the tax payable from this beneficiary's share as described on the Residual Gifts and Apportionment tab. In the above window, you can indicate that a percent of the federal estate and GST tax is payable from Susan's share. Since you indicated that this state imposes a tax at the estate level (see **§3.06** and **§4.02**), you can also indicate that a portion of the state estate tax is payable from her share. At the bottom of the window, you can enter all other transfer taxes payable from Susan's share. In this example, you can leave all of the data fields blank. **Click  to return to the beneficiary selection window:**



Beneficiaries appear in the table on page 2, Form 706, in the order in which you enter them. There are two ways to change a beneficiary's location in the table. *Left click on Susan's name and, while continuing to depress the mouse button, drag her to the University of Oklahoma Foundation.* GEMAcct inserts the beneficiary before the location where you dropped the name. *Left click on Susan's name, and then click the Up Arrow in the right portion of the window to move Susan back to her original location.*

Click  to return to the Main Menu.

§4.06 Preparer and Estate Representative

Select option 3 on the Main Menu to enter information with respect to the preparer and the person authorized to represent the estate before the Internal Revenue Service:

GEM706 permits you to predefine preparers and representatives by clicking Utilities on the menu bar. Assuming you have already entered attorneys or accountants in your firm, click the Yes radio button and then click to access the predefined preparers:

To select a preparer, click that person's name.

In the lower portion of the window, you can identify a person to act as the estate's representative before the Internal Revenue Service. The representative may also be predefined. Click to return to the Main Menu.

§4.07 Fiduciaries

Select option 4 on the Main Menu to identify the fiduciaries:

Enter Executor as the personal representative's title in the first data field. If there are two or more, the title should be plural. Click Add Exec at the bottom of the window to enter the executor:

The first question asks whether this is the executor that that the IRS should contact. *Click the Yes radio button.* You can only select one executor.

Assume that the executor is a beneficiary and click [dropdown arrow] to drop down the selection list:

Select Mary L Smith by clicking her name. Her information populates the fiduciary window:

Note that you cannot change Mary's information in this window. You must return to the Beneficiaries program division to make changes. Click to return to the fiduciary selection window.

You also can reorder the executors the same way you reorder beneficiaries. See §4.05. Click to return to the Main Menu.

§4.08 Elections

Option 5 on the Main Menu permits you to make the various elections found on Form 706. Select option 5 on the Main Menu:

GEM706 has consolidated in the above window all the elections made in various locations on Form 706. Note that the first election relates to the alternate valuation date as provided in IRC §2032, one of the more common elections.

Click the first Yes radio button to elect the alternate valuation date and click the sixth radio button to elect to pay taxes related to closely held business interests in installments as provided in IRC §6166:

The IRC §6166 is handled the same way as the special use valuation election under IRC §2032A. You make the election on the above screen, you indicate those items on the schedule tree that qualify for the election (see §5.09), and then you select the dedicated option on the Main Menu (option 8 for IRC §2032A and option 9 for IRC §6166) to enter the remaining information.

Click  to return to the Main Menu.

\$4.09 General and Tax Related Information

Option 6 on the Main Menu asks miscellaneous questions necessary to complete the form and compute the tax.
Select option 6 on the Main Menu:

The first tab (General Information) asks questions that appear on page 3, Form 706, all of which are self-explanatory.

Click on the Tax Related Information tab:

All except the final question in the above window are self-explanatory. The final question requests whether the decedent owned any community property. GEM706 permits you to identify assets and liabilities as community property. See §5.08. If an item comprises community property, GEM706 automatically generates an entry that removes the surviving spouse's ownership interest. This entry appears as an appendage to each item of community property or as a separate numbered item at the bottom of the schedule which reflects the spouse's interest in all assets on that schedule that have been identified as community property. You must also enter the description that GEM706 should use for the appendage or item. For example, you might complete it as follows:

In this example, GEM706 will subtract out the surviving spouse's interest as an unnumbered appendage, using for the description "Surviving spouse's interest in above item." *Unclick the community property check box.*

On line 3b, page 1, Form 706, you must report the deduction for state death taxes. *To enter information to permit GEM706 to compute this amount, click on the State Tax Deduction tab:*

If you use the state death taxes computed by GEM706 (and not a state module) to complete line 3b, page 1, Form 706, the manner in which GEM706 completes that line depends on whether the state imposes an estate or inheritance tax. If the state imposes an estate tax, GEM706 enters on line 3b the sum of (1) the state estate tax computed in accordance with your entries under the State Tax Information tab in option 13 on the Main Menu; and (2) the fixed amount of state transfer tax that you entered under the Primary/Secondary Rates tab in option 13 on the Main Menu. If the state imposes an inheritance tax, GEM706 enters on line 3b the sum of (1) the inheritance tax imposed on each beneficiary computed in accordance with your entries under the State Tax Information Tab in option 13 on the Main Menu; and (2) the fixed amount of state transfer tax which you entered under the Primary/Secondary Rates tab in option 13 on the Main Menu.

If you have installed a state module, you can direct GEM706 to use the amount of state tax computed by the module to complete line 3b, page 1, Form 706. *Click the second radio button in the above window:*

In this example, the Ohio modules has computed the state estate tax to be \$138,956.07. That amount, plus the amount entered in the data field directly above, will appear on line 3b.

GEM706 only uses the amounts returned from state modules to complete line 3b, Form 706. You must still enter sufficient information in option 13 on the Main Menu to permit GEM706 to calculate the state death tax to complete the beneficiary table on page 2, Form 706, if you have indicated that a percentage of state death taxes are payable from a beneficiary's share. See §4.02 and §4.05. [Click !\[\]\(666e09182d4cd268646ea700ea60dcdf_img.jpg\) to return to the Main Menu.](#)

§4.10 Gift Tax Returns

Click option 7 on the Main Menu to enter information with respect to the decedent's gift tax returns:

In the upper portion of the screen, you should enter any adjustment to the unified credit which appears on line 10, page 1, Form 706. If the decedent made gifts after September 8, 1976, and before January 1, 1977, for which the decedent claimed a specific exemption, the unified credit must be reduced by up to \$6,000. For more information, see the Instructions for Form 706. Otherwise, you should leave this data field blank.

The second data field permits you to enter a credit for gift taxes on pre-1977 gifts. You should compute this amount in accordance with IRC §2012. For more information, see the Instructions for Form 706. GEM706 includes your entry in the total credits shown on line 15, page 1, Form 706.

In the lower portion of the window, GEM706 displays all years between 1932 and the decedent's date of death in the left column of the selection window. Note that between 1971 and 1981, gift tax returns were filed on a quarterly basis. *Assume that the decedent made a \$100,000 taxable gift in 2009, double click on 2009 (or highlight 2009 and click Edit), and complete the screen as follows:*

The screenshot shows the 'Federal Estate Tax Returns (2011): Estate of John P. Smith' window. On the left, a 'Data Entry' menu lists various sections, with 'Gift Tax Returns' selected. The main window displays a table of years from 1932 to 2011, with 2009 highlighted. A 'Gift Tax Returns' dialog box is open, asking for the following information:

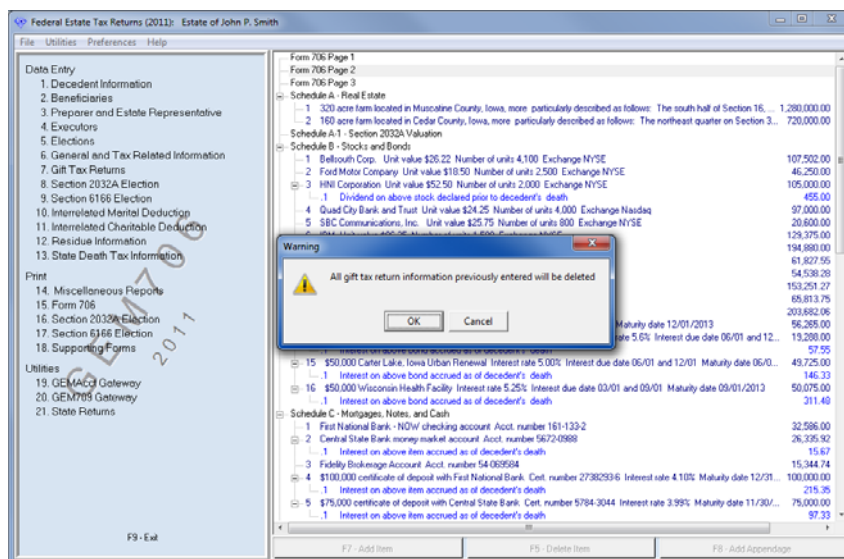
- Was gift tax return filed for period? ☒ Yes ☐ No
- IRS office where return was filed: Kansas City, MO
- Taxable gifts made during period: \$100,000.00
- If any of above gifts are included in gross estate, complete the following:
 - Amount included in gross estate:
 - Gift tax paid by spouse on these gifts:
- If any of above gifts qualify for special treatment of split gifts, complete the following:
 - Amount qualifying for special treatment:
 - Gift tax paid by decedent on these gifts:

The background window shows a list of years from 1932 to 2011, with 2009 highlighted. The right side of the window shows a list of taxable gifts and their corresponding tax amounts.

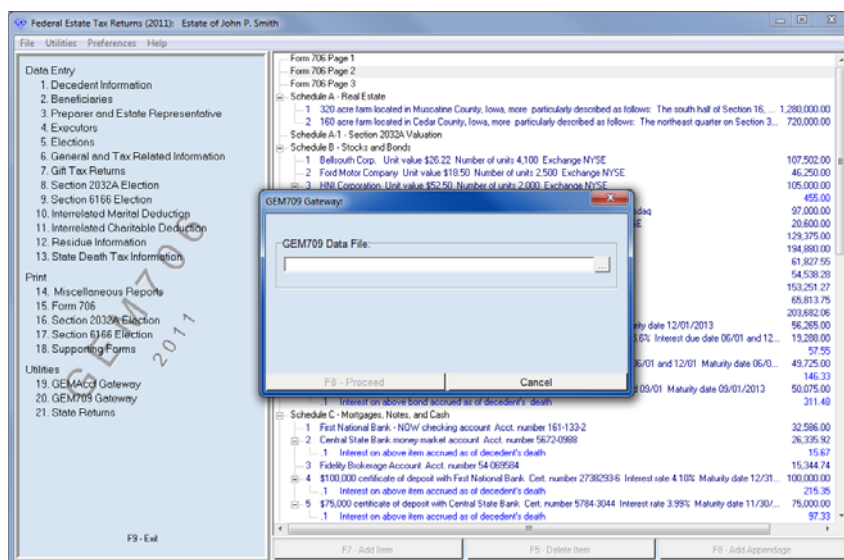
The first question asks whether a gift tax return was filed for the period. For purposes of completing Worksheet TG, you must enter all taxable gifts made by the decedent. In some instances, a return may not have been filed. If a return was filed, GEM706 checks the Yes column on line 7a, page 2, Form 706, and includes the period on line 7b. If a return was filed, you must enter the Internal Revenue Service office. If a return was not filed, this question is grayed out.



The four questions at the bottom of the window relate to situations when the gifts are brought back into the gross estate or where a gift qualifies for special treatment for certain split gifts. For more information, see §3.05 of the GEM706 manual. *Click to return to the Gift Tax Return selection screen, and click again to return to the Main Menu.*

If you used GEM709 to prepare the decedent's gift tax returns, you can transfer the information relating to past gifts listed on Schedule B of the decedent's last gift tax return and the taxable gifts reported on the last gift tax return. GEM706 also creates additional items on Schedule G representing gifts made to a qualified tuition program (QTP) that have not been fully reported on the decedent's gift tax returns. *Select option 20 on the Main Menu, and GEM706 displays the following warning:*



To return to the Main Menu without deleting the gift information you have already entered, click Cancel. *Click OK to proceed, and GEM706 requests the GEM709 data file:*



You can click  to the right of the data field to search for the decedent's data file. *Click  to return to the Main Menu.*

§4.11 Section 6166 Election

To perfect the election under IRC §6166, you must first affirmatively answer the relevant question in the Elections program division. See §4.08. You must then enter all qualified business interests as assets on the appropriate schedules and indicate at the bottom of the asset window that the item qualifies for IRC §6166 deferral. See §5.09. You must then select option 9 on the Main Menu to proceed to the Section 6166 Election program division and enter the additional data relating to the election. GEM706 prepares the Notice of Election in accordance with Treas. Reg. §20.6166-1(b) and an analysis of the threshold requirement set forth in IRC §6166(a)(1), both of which must be filed with the estate tax return. Contained in the Notice of Election is a payment schedule based on the facts existing as of the date of filing Form 706. To print these reports, select option 17 on the Main Menu. See §10.44. Remember that you have already made the IRC §6166 election. See §4.08.

Select option 9 on the Main Menu to enter information relating to the election:

General Information Tab

GEM706 must calculate the value of the decedent's adjusted gross estate to determine whether the estate satisfies the 35 per cent threshold requirement of IRC §6166(a)(1) and to determine the maximum amount of federal estate tax that the estate can defer. The adjusted gross estate is defined in IRC §6166(b)(6) to be the value of the gross estate reduced by amounts allowable as a deduction under IRC §§2053 and 2054.

The first question requests the amount of allowable deductions. GEM706 deducts this amount from the value of the decedent's gross estate to determine the adjusted gross estate as defined in IRC §6166(b)(6). You should enter the allowable deductions, not those actually allowed.

The second and third questions relate to gifts that the decedent made within three years of death and that are included in the decedent's gross estate as provided in IRC §2035. If prior gifts are involved, the estate must satisfy two threshold tests:

1. The numerator of the first fraction is the value of closely held business interests included in the gross estate, and the denominator is the value of the adjusted gross estate; and
2. The numerator of the second fraction is the value of closely held business interests included in the gross estate less the closely held business interests transferred within three years of death included in the gross estate as provided in IRC §2035(a) and referenced in IRC §2035(c)(2) and the denominator is the value of the adjusted gross estate less the value of all assets transferred within three years of death included in the gross estate as provided in IRC §2035(a) and referenced in IRC §2035(c)(2).

If either of the above fractions is less than 35 per cent, the estate cannot elect to defer any portion of its federal estate tax.

At the bottom of the window, you must enter a statement setting forth the facts that form the basis for the estate's conclusion that it qualifies for the deferral of estate tax. See Treas. Reg. §20.6166-1(b)(6).

Payment Method Tab

Click the Payment Method Tab:

Section 6166 Election

General Information | Payment Method | Business Interests

WARNING: If you make either of the first two elections, the first principal payment is due 9 months after death and no interest accrues at 2% rate.

☐ Yes ☒ No Does estate elect benefits of §6166(b)(7) with respect to certain partnership interests and non-readily traded stocks?
☐ Yes ☒ No Does estate elect benefits of §6166(b)(8) with respect to holding company stock?
☐ Yes ☒ No Will estate defer estate tax for the maximum period?
 Number of installment payments of principal:
 Date of first installment payment of principal:
☐ Yes ☒ No Will estate defer the maximum amount of estate tax?
 Amount of deferred tax:

In most instances, the first two questions will be answered negatively. For more information, see §7.04 of the GEM706 manual.

If you indicate that the estate elects to defer estate tax for the maximum period, GEM706 assumes that the tax will be paid in ten annual installments, the first installment coming due five years after the original due date of the federal estate tax return. On the first four anniversaries of the original due date, the estate makes only interest payments.

If you indicate that the estate will not defer tax for the maximum period, you must enter the date of the first installment payment of principal and the number of principal payments. GEM706 then determines the dates of the interest payments that come due between the original due date of the federal estate tax return and the date of the first installment payment of principal.

You must also indicate whether the estate intends to defer the maximum amount of estate tax. The maximum amount of federal estate tax which the estate can defer under IRC §6166 is an amount which bears the same ratio to the federal estate tax (reduced by any credits) as the closely held business amount bears to the adjusted gross estate. If you indicate that the estate will not elect to defer the maximum amount of estate tax, GEM706 requests the actual amount of estate tax that the estate will defer.

Business Interests Tab

Click the Business Interest tab:

Section 6166 Election

General Information | Payment Method | **Business Interests**

Sch	Item No.	Description	Alt. Val.	Date of Death
A	1	320 acre farm located in Muscatine County, Iowa, mo	\$1,275,000.00	\$1,280,000.00
A	2	160 acre farm located in Cedar County, Iowa, more	\$720,000.00	\$720,000.00
A	3	400 acre farm located in Muscatine County, Iowa, mo	\$3,900,000.00	\$4,000,000.00

Amount of mortgages securing decedent's interest in real property:

Fair market value of passive assets in Business Interest:

GEM706 lists in the upper portion of the window those items that you have already identified as business interests on the various schedules. You must answer the questions in the lower portion of the window with respect to each Business interest. After you complete the lower portion of the window with respect to the first Business interest, highlight the next interest and continue until you have answered the questions with respect to each interest.

The first question in the lower portion of the window requests the amount of mortgages secured by real property utilized in the closely held business. GEM706 subtracts the amount of mortgages from the value of the closely held business to determine whether the estate satisfies the threshold requirement of IRC §6166(a)(1) and to calculate the maximum amount of federal estate tax which it can defer.

The last question requests the fair market value of the passive assets attributable to the decedent's ownership interest in the Business interest. The deferral of estate tax is not available for passive assets. See IRC §6166(b)(9). This data field is most relevant with respect to corporations listed on Schedule B and proprietorships and partnerships listed on Schedule F. GEM706 subtracts the amount of passive assets from the value of the closely held business to determine whether the threshold requirements are satisfied and to calculate the maximum amount of federal estate tax which the estate can defer.

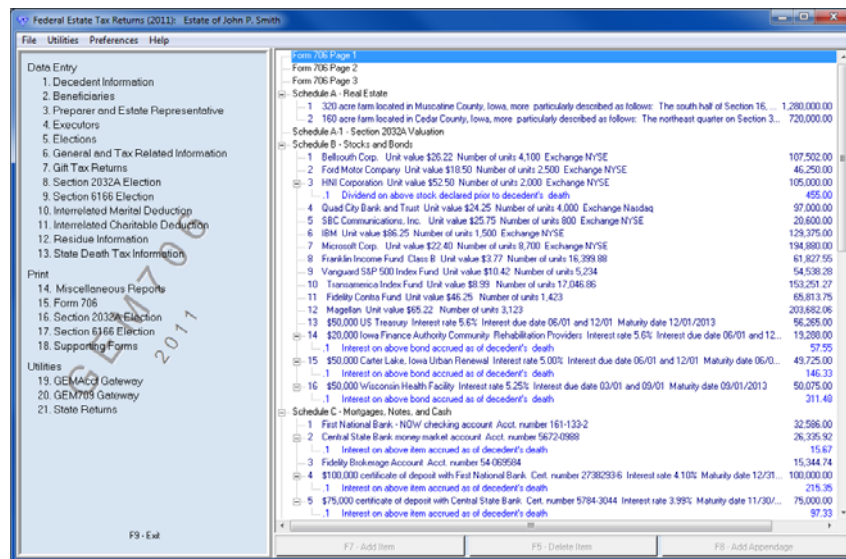
For the current example, just leave these data fields blank. [Click !\[\]\(d3fb9f94af8b26d1c844efa9a98805b0_img.jpg\) to return to the Main Menu.](#)




Chapter 5 Schedules

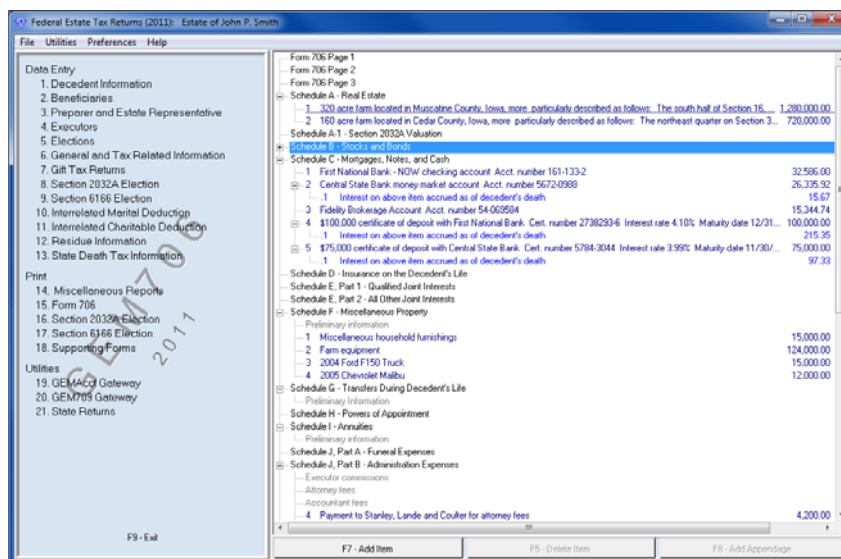
§5.01 Introduction



This chapter describes the process of entering information on the various schedules. GEM706 automatically assigns an item number to each item description. You can add a header to an item which will appear before the item description on the applicable schedule. GEM706 also permits you to create appendages to items. Data entry for an appendage generally is the same as items, but appendages do not have item numbers.

The schedule tree appears as follows:



When a  or  appears to the left of a schedule or item, you can click on the symbol to open or collapse the selection. Click  to the left of Schedule B:



Note that the items on Schedule B have disappeared and that  now appears to the left of Schedule B. *Click  to display the items on Schedule B.*

In the right column on the schedule tree, GEM706 displays the item's value as of the applicable valuation date, either the date of death or the alternate valuation date. In most cases, this value is the amount you entered for that item and is the amount that will appear on Form 706. For the exceptions to this rule, see §4.03 of the GEM706 manual.

To add the first item to a schedule, highlight the schedule name (or, if the schedule contains preliminary questions, you may also highlight "Preliminary information"), and click Add Item (or type F7). To add additional items, highlight the schedule name or any other item or appendage on the schedule and click Add Item. GEM706 adds the new item immediately after the highlighted item.

Appendages are similar to items. On the schedule tree and on the item screen, GEM706 designates the first appendage to item 1 as number 1.1. However, GEM706 does not assign appendages separate item numbers when it prints the schedules. For example, look at item 3 on Schedule B which has an appendage representing accrued dividends. To add an appendage to an item, highlight that item on the schedule tree and click Add Appendage (or type F8). GEM706 always adds the new appendage after the item's existing appendages.

To delete an item (or an appendage), highlight that item on the schedule tree and click Delete Item (or type F5). If you delete an item, GEM706 deletes all other information relating to that item, including its header and appendages.

Some schedules contain questions relating to assets that appear on those schedules. For example, Schedule F includes questions with respect to collectibles, bonuses, and safe deposit boxes. To answer these questions, select "Preliminary information" which immediately follows the schedule name on the schedule tree.

§5.02 Schedule A

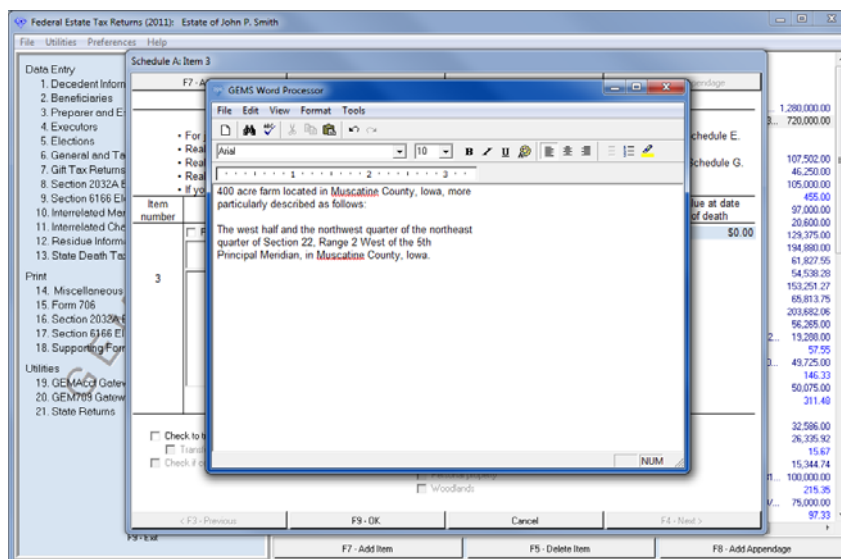
The sections describing the entry of information on Schedule A generally apply to all asset and liability schedules. Schedule A currently has two items. *To add an item at the end, highlight item 2 and click Add Item:*

The item number column informs you that you are entering item 3 on Schedule A.

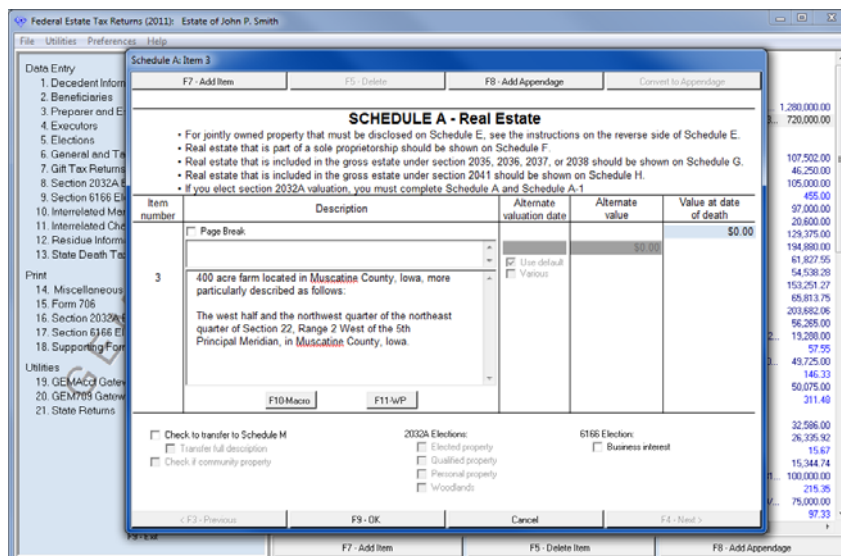
§5.03 –Word Processor

The cursor initially appears in the word processor field for the item's description. GEM706 has two word processors that you use to enter lengthy descriptions. Directly below the description, there are two buttons. *Click WP (or type F11) to access the full word processor:*

For a discussion of the features, see §§1.09-1.17 of the GEM706 manual. *Enter a brief description of a 400 acre farm that might appear as follows:*



Click  to return to the initial screen:



Note that GEM706 has inserted the description opposite item number 3 in the second word processor window. Remember, GEM706 permits you to define macros by advancing to the Utilities option on the menu bar. See §3.06. You can also copy, cut, and paste text by using the Windows functionality.

§5.04 –Page Break

Above the header and description fields, there is a check box which directs GEM706 to begin this item (or this appendage) at the top of the following continuation page when printing Form 706. This permits you to override GEM706's placement of a page break. If you enter a page break for the first item on a schedule, all of that schedule's items will be printed on continuation pages. This feature may be helpful when preparing state returns.

§5.05 –Header

You can enter a header for items and appendages in the smaller word processor field located above the item description field. GEM706 prints the header on the schedule before the description. GEM706 associates the item number and the fair market values with the item description rather than the header. Assume that the decedent owned

the farm as tenant in common with his brother. *Type Shift-Tab (or click in the header box), and enter the following header:*

When you are done, click Tab to advance back to the item description, and then click Tab again to advance to the date of death value field.

§5.06 –Date of Death and Alternate Values

The numeric data fields in right portion of the window permit you to enter the item's fair market value at the date of death, and at the alternate valuation date. The alternate value and alternate valuation date fields are active only if you made the corresponding election in option 5 on the Main Menu. See §4.08. When you enter an item's date of death value, GEM706 defaults the alternate value to the same amount. *Enter \$4,000,000 as the item's value at the date of death, and type Tab or Enter to advance to the alternate valuation date data field.*

Generally, the alternate valuation date is six months after the decedent's death. If you click Default, GEM706 computes this date based on the decedent's date of death. If you later make a change in the decedent's date of death, GEM706 makes a corresponding change in the alternate valuation date. If the item was distributed, sold, exchanged, or otherwise disposed of within six months after the decedent's death, you must remove the check in the default field and enter the alternate valuation date. In some instances, a single item may have more than one alternate valuation date. In this case, check the Various check box, and GEM706 will print Various as the date for that item.

Type Tab or Enter to advance to the alternate value data field and enter \$3,900,000 as the item's alternate value.

§5.07 –Transfer Item to Schedule M

You can transfer this item to Schedule M by checking the first box in the lower portion of the window. If you want the item's full description to appear on Schedule M, check the second check box. However GEM706 does not include an item's header and appendages on Schedule M even though the value of the Schedule M item includes the value of its appendages. GEM706 also assumes that it should appear on Part 2, Schedule M. If the item qualifies for the marital deduction as the result of a QTIP election, you must move the item to Part 1, Schedule M. See §5.16.

If you do not check the second box, GEM706 automatically generates the following description on Schedule M:

Item 3 on Schedule A

In this example, do not check the transfer to Schedule M check box.

§5.08 –Community Property

The next check box in the lower portion of the window requests whether this item was owned by the decedent and the surviving spouse as community property. This question is active only if you indicated in the General and Tax Related Information program division that the decedent owned community property. See §4.09. If an asset is community property, you should enter its full value on the above screen, and GEM706 includes the asset on Schedule A at that value. However, GEM706 automatically generates an additional entry which removes the surviving spouse's ownership interest. The entry will appear as an appendage after each item of community property or as an item at the end of each schedule. You indicate your choice in the General and Tax Related Information program division. For more information, see §4.18 of the GEM706 manual.

§5.09 –2032A and 6166 Elections

The remaining check boxes at the bottom of the screen relate to the election to specially value real estate as provided in IRC §2032A and to defer the payment of federal estate tax attributable to business interests as provided in IRC §6166. Since you indicated in option 5 on the Main Menu that the estate will be making the IRC §6166 election, that check box is active. *Check the 6166 box to indicate that the real estate is a business interest.* The final data entry window for item 3 should appear as follows:

You can page through the items on Schedule A by using the F3 and F4 keys. *Click OK (or type F9) to return to the Main Menu.*

§5.10 Schedule Print Previews

To see how schedule A now appears, double click on Schedule A – Real Estate on the schedule tree. GEM706 displays the following:

Report Preview

Form 706 (Rev. 9-2008)

Estate of: John P. Smith

Decedent's Social Security Number: 111-22-3333

SCHEDULE A - Real Estate

- For jointly owned property that must be disclosed on Schedule E, see the instructions on the reverse side of Schedule E.
- Real estate that is part of a sole proprietorship should be shown on Schedule F.
- Real estate that is included in the gross estate under section 2035, 2036, 2037, or 2038 should be shown on Schedule G.
- Real estate that is included in the gross estate under section 2041 should be shown on Schedule H.
- If you elect section 2032A valuation, you must complete Schedule A and Schedule A-1.

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
1	320 acre farm located in Muscatine County, Iowa, more particularly described as follows: The south half of Section 16, Range 2 West of the 5th Principal Meridian, in Muscatine County, Iowa.	10/01/2011	1,275,000.00	1,280,000.00
2	160 acre farm located in Cedar County, Iowa, more particularly described as follows: The northeast quarter on Section 31, Range 2 West of the 5th Principal Meridian, in Cedar County, Iowa. The decedent owned the following as tenants in common with his brother, Max R. Smith:	10/01/2011	720,000.00	720,000.00
3	400 acre farm located in Muscatine County, Iowa, more particularly described as follows: The west half and the northwest quarter of the northeast quarter of Section 22, Range 2 West of the 5th Principal Meridian, in Muscatine County, Iowa.	Various	3,900,000.00	4,000,000.00

Look carefully at the item that you just entered. The two lines of text preceding the item number is the header, while the item number is associated with the first line of the item description. *Click **X** or type F9 to return to the Main Menu.*

Item 2 on Schedule C has an appendage representing interest accrued on the money market account as of the date of death. *Double click item 2, and GEM706 displays the following:*

Federal Estate Tax Returns (2011): Estate of John P. Smith

File Utilities Preferences Help

Schedule C: Item 2

F7 - Add Item F5 - Delete F8 - Add Appendage Convert to Appendage

SCHEDULE C - Mortgages, Notes, and Cash
(For jointly owned property that must be disclosed on Schedule E, see the instructions for Schedule E.)

Item number	Description	Alternate valuation date	Alternate value	Value at date of death
2	Central State Bank money market account Acct. number 5672-0988		\$26,335.92	\$26,335.92

Page Break

107,502.00
46,250.00
105,000.00
495.00
97,000.00
20,680.00
129,375.00
194,880.00
61,827.55
54,538.28
153,251.27
65,013.75
203,682.06
56,265.00
19,288.00
57.95
49,725.00
148.33
50,075.00
311.48
32,586.00
26,335.92
15.67
15,344.74
110,000.00
215.35

F10 Macro F11 WP

☐ Check to transfer to Schedule M
☐ Transfer full description
☐ Check if community property

2032A Election:
☐ Elected property
☐ Qualified property
☐ Personal property
☐ Woodlands

6166 Election:
☐ Business interest

< F3 - Previous F3 - OK Cancel F4 - Next >

F7 - Add Item F5 - Delete Item F8 - Add Appendage

Now type F4 to advance directly to the appendage:

Appendages are similar to items. On the schedule tree and on the item screen, GEM706 designates the first appendage to item 2 as number 2.1. However, GEM706 does not assign appendages separate item numbers when it prints the schedules. *Click OK to return to the Main Menu, and then double click Schedule C to preview that schedule:*

Note that the appendage to item 2 reflecting the accrued interest resembles an item in all respects other than the missing item number. *Click  to return to the Main Menu.*

§5.11 CUSIP and Unit Values - Schedules B, E, F, G, and I

Select item 1 on Schedule B by double clicking on that item:

Below the item description, GEM706 requests the item's CUSIP or EIN number. This information appears in a separate column on Schedule B. GEM706 also uses the CUSIP number to obtain the values of stocks, bonds, and accrued income from Estate Valuation & Pricing Systems, Inc. There are two ways to identify securities. Although it is easier to obtain a stock's ticker symbol, CUSIP numbers are more accurate. You must use CUSIPs to price most bonds.

In the right portion of the screen, you enter the relevant information with respect to the asset's value as of the date of death on the first line and as of the alternate valuation date on the second line. When you enter the unit value and number of units at the date of death, GEM706 displays the same amounts as of the alternate valuation date. If the values are not the same, enter the item's correct alternate values. The number of units for a bond is equal to its face value divided by \$100. In other words, a bond with a face value of \$50,000 represents 500 units.

If you enter the unit value and number of units, GEM706 computes and displays the item's fair market value at the date of death and at the alternate valuation date. You can override GEM706's calculation of the fair market value by entering the desired amount in the value column. If you later change either the unit value or the number of units, GEM706 recomputes the fair market value and displays the new result only if the fair market value was equal to the unit value times the number of units prior to the change.

Since stocks, bonds, and/or partnership interests may be listed on Schedules F, G, and I, the data input for those schedules resemble Schedule B. *Click OK to return to the Main Menu.*

§5.12 Beneficiary Designations - Schedules D and I

You are required to include life insurance on the decedent's life on Schedule D and annuities on Schedule I, both of which often have beneficiary designations. *To add the first item to Schedule D, click Schedule D and click Add Item (or type F7):*

Beneath the item description, GEM706 permits you to identify the beneficiaries. The table lists those beneficiaries that you have already entered in the Beneficiaries program division. See §4.05.

Unless the insurance is payable to the estate, you should enter each beneficiary's percentage interest in the policy proceeds. GEM706 uses this information to complete the beneficiary table on page 2, Form 706. If you identify the beneficiaries and their respective interests, GEM706 prints that amount (together with the other gifts they may have received as identified on Schedules D, E, and I and in the Beneficiaries program division) in the beneficiary table on page 2, Form 706. As a result, you do not have to make an additional entry in the Beneficiaries program division to account for the receipt of the insurance proceeds.

GEM706 also uses this information to compute the estate's residue. See §4.03. If you identify the beneficiaries, the item is treated as passing to those beneficiaries and reduces the amount available for distribution to the residuary beneficiaries. If you fail to identify the beneficiaries, GEM706 does not reduce the estate's residue by the amount of the insurance.

If you fail to associate a beneficiary with the policy on Schedule D, you must advance to the Beneficiaries program division to enter that amount as a preresiduary gift to reflect the correct total in the beneficiary table. See §4.03.

Assume that there was a \$100,000 life insurance policy on the decedent's life payable to the decedent's wife. *You might complete the screen as follows:*

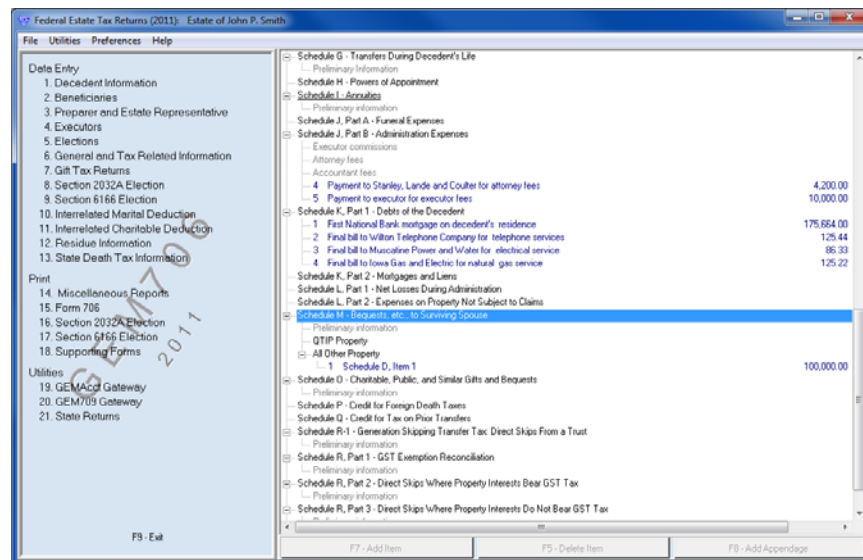
Since you have indicated that 100% is passing to Mary, GEM706 reduces the estate's residue by the amount of the life insurance. However, for purposes of computing the amount passing to the surviving spouse which appears on line 4c, page 2, Form 706, GEM706 uses the total from Schedule M, as adjusted in the Beneficiaries program division. See §4.05. As a result, you still must include on Schedule M life insurance proceeds that qualify for the marital deduction.

The first check box in the lower portion of the window permits you to identify this asset as passing to the surviving spouse and qualifying for the marital deduction on Schedule M. Since this box is checked, it will appear on Schedule M, Part 2. You must indicate whether GEM706 should use the short or long description on Schedule M. Since you did not transfer the full description, GEM706 automatically generates the following description on Schedule M:

Item 1 on Schedule D

If you transfer the full description, GEM706 repeats the item's full description on Schedule M when it is printed. The schedule tree always displays the reference to the item and schedule.

Click OK to return to the Main Menu and then advance to Schedule M by using the slide bar to the right of the schedule tree (or by typing M):



Note that the life insurance policy appears as the first item on Schedule M, Part 2. *Double click on that item to display it:*

Although GEM706 displays the item, the data fields are inactive. You must return to Schedule D to make any changes. *Click OK to return to the Main Menu.*

§5.13 Joint Interests - Schedule E, Part 2

You must list joint interests that are not qualified joint interests on Part 2, Schedule E. *To add the first item, click Schedule E, Part 2, and click Add Item (or type F7):*

Since stocks and bonds can be listed on Schedule E, the input is similar to the input for Schedule B. See §5.11. You must also enter the includible percentage, the percentage of the total value of the item that is included in the gross estate.

The fair market value of the item as of the date of death, and, if applicable, the alternate valuation date, should only take into account the decedent's includible interest. If less than the full amount is included in the decedent's gross estate under the "consideration furnished" test of IRC §2040(a) and if you have entered the unit values and number of units, you must override the calculation of the item's fair market value by entering only the includible amount in the fair market value data field. If the item is not a stock or bond, you should leave the unit value and number of units data fields blank and enter only the item's includible fair market value.

At the bottom of the description column, GEM706 permits you to identify the cotenants. Each cotenant is a beneficiary of the estate and must be included in the beneficiary table. See §4.05. GEM706 also uses this information to complete the beneficiary table on page 2, Form 706. GEM706 treats each cotenant as receiving an amount equal to the includible fair market value of the item divided by the number of surviving cotenants and prints that amount (together with other gifts they may have received as identified on Schedules D and I and in the Beneficiaries program division) in the beneficiary table on page 2, Form 706. See §§2.04-2.05. As a result, you do not have to make an additional entry in the Beneficiaries program division to account for a cotenant's receipt of joint property.

GEM706 also uses this information to compute the estate's residue. See §4.03. If you identify the cotenants, the item is treated as passing to those beneficiaries and reduces the amount available for distribution to the residuary beneficiaries. If you fail to identify the cotenants, GEM706 does not reduce the residue by the amount of the joint interest. *Click Cancel to return to the Main Menu.*

§5.14 Schedule J

Schedule J has two parts. Part A relates to funeral expenses, and Part B relates to administration expenses. Form 706 reserves the first three items on Part B for executor, attorney, and accountant fees. GEM706 has already included these items on the schedule tree. *Select item 1 (Executor Commissions) on Part B, Schedule J:*

Click the Agreed radio button and enter \$15,000 for the amount of executor fees. Then click  to return to the Main Menu.

You should enter other administration expenses beginning with item 4 on Part B. Currently, there are two items on that part that were transferred from the GEMAcct file. *Click item 5 to add an additional item at the end and click Add Item (or type F7):*

Note that the data input closely resembles that for Schedule A, except that there are fewer questions and no alternate valuation column. *Click Cancel to return to the Main Menu without entering item information.*

§5.15 Schedule M

You must include on Schedule M all property qualifying for the marital deduction. *Use the slide bar to the right of the schedule tree (or type M) to advance to Schedule M:*

Note that the life insurance policy that you have already transferred to Schedule M appears on Part 2 as indicated above.

Some schedules, including Schedule M, have questions that appear before the item information. *Double click Preliminary Information to access the questions on Schedule M:*

The screenshot shows the 'Federal Estate Tax Returns (2011)' software for 'Estate of John P. Smith'. The 'Data Entry' pane on the left lists various sections. The main area displays a list of items with their values. A dialog box titled 'Schedule M - Preliminary Information' is open, asking the following questions:

- Did property pass to surviving spouse as a result of a qualified disclaimer? (Yes/No)
- In what country was surviving spouse born? (Text field)
- What is surviving spouse's date of birth? (Text field)
- Is surviving spouse a U.S. citizen? (Yes/No)
- If spouse is naturalized, enter date (Text field)
- Spouse's country of citizenship (Text field)

After you have answered these questions, click **X** to return to the Main Menu.

Schedule M has two distinct sections. For purposes of data input, GEM706 refers to these sections as Parts. You must include items for which you are making a QTIP election on Part 1, Schedule M. By including qualified terminable interest property on Part 1, Schedule M, you are making a QTIP election with respect to that property. You must list all other items qualifying for the marital deduction on Part 2.

Regardless of whether you are entering an item on Part 1 or 2, the item entry window for Schedule M appears the same. **Click Schedule M, Part 1, and click Add Item:**

The screenshot shows the 'Schedule M, Part 1: Item 1' window. The title bar says 'Schedule M, Part 1: Item 1'. The window has a menu bar with 'F7 - Add Item', 'F5 - Delete', 'F8 - Add Appendage', and 'Convert to Appendage'. The main area is titled 'SCHEDULE M - QTIP Property'. It contains a table with the following columns: 'Item number', 'Description of property interests passing to surviving spouse', and 'Amount'. The table has one row with item number 1. The 'Amount' column has three sub-rows: 'OR (if amount blank)', 'Percent of estate residue', and 'Percent of inter vivos trust'. There are buttons for 'F10-Macro' and 'F11-WP' at the bottom of the table. Below the table is a checkbox labeled 'Check if optimum marital deduction'. At the very bottom are buttons for '< F3 - Previous', 'F9 - OK', 'Cancel', and 'F4 - Next >'. A large '2011' watermark is visible across the center of the window.

Note that the header informs you that you are adding an item with respect to which you are making a QTIP election to Part 1, Schedule M.

In addition to assigning items to Schedule M (see §5.12), you can enter the item description as you would on any other schedule. However, there are three different ways to compute its value. First of all, you can enter the fair market value of the asset that passes to the surviving spouse and that qualifies for the marital deduction. This amount should reflect the full value of the marital bequest, even though taxes are payable out of the bequest. If you later change the value of the asset giving rise to the marital deduction, you must manually make appropriate changes on Schedule M. If you enter an amount, you cannot access the percent data fields in the amount column, and you

cannot indicate the value of the item should equal the optimum marital deduction in the lower portion of the window.

The second way to value an item on Schedule M is to indicate that it comprises a residual gift. If you advance through the amount data field without entering a number, GEM706 permits you to value the item as a fixed percentage of the residue of the estate or trust. You define both residues by completing option 12 on the Main Menu. See §4.03. For more information, see §4.33 of the GEM706 manual. If you indicate that the surviving spouse received a portion of the estate's residue, GEM706 determines the amount of the marital deduction by multiplying the percent which you enter on the above screen times the estate's residue prior to the payment of death taxes. This amount appears on the Residue report that you can print by selecting option 14 on the Main Menu. Similarly, if you indicate that the spouse received a portion of the residue of an inter vivos trust, GEM706 multiplies the percent times the trust's residue prior to the payment of death taxes.

If the spouse received a percent of the residue, the instructions for Schedule M require you to attach a computation. When printing Form 706, GEM706 prints a summary of the residue calculation for each item that contains a residuary gift. You may elect to attach this summary to Form 706 to satisfy the reporting requirement. However, in some instances, the Instructions for Form 706 require more information than is included in the summary, in which case you should discard GEM706's summary and prepare the necessary documentation manually.

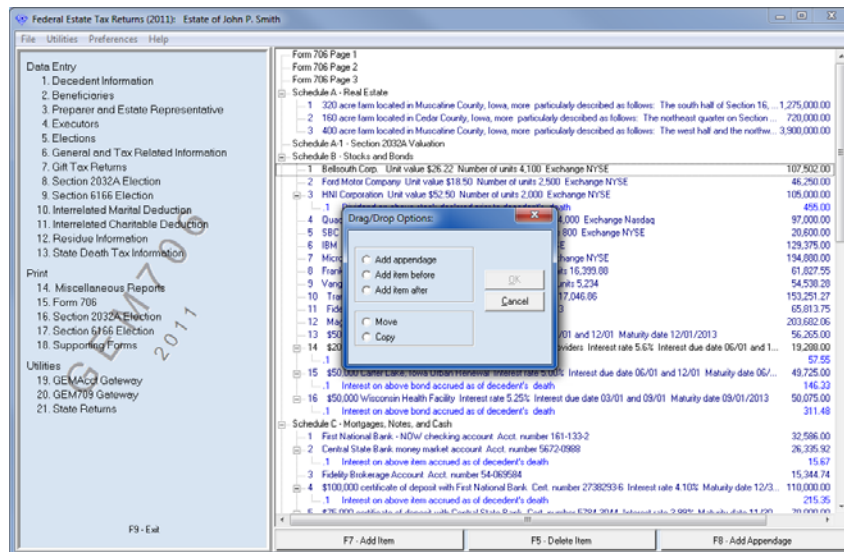
The final way to value an item on Schedule M is to indicate that it is an optimum marital bequest which is the smallest amount required to eliminate the federal estate tax. To accurately compute the optimum marital deduction, you should first complete all portions of Form 706. You should also include on Schedule M all bequests qualifying for the marital deduction other than the formula bequest that is based on the optimum marital deduction. GEM706 computes the optimum marital deduction whenever it performs a tax calculation and assigns that value to the selected item. If you later change any portion of Form 706, GEM706 automatically makes appropriate changes to Schedule M. For more information, see §4.34 of the GEM706 manual.

Click Cancel to return to the Main Menu without adding an additional marital deduction item.

§5.16 Moving and Copying Items

You can move items and appendages on the schedule tree. GEM706 permits you to move assets on and between Schedules A through I and deductions on and between Schedules J through L. In addition, you can move items on Schedules M and O. If you move an item, GEM706 also moves its appendages.

Left click on item 14, Schedule B, and, while continuing to depress the mouse button, drag it to item 1, Schedule B. When you release the left mouse button, GEM706 highlights the target location and displays the following:



To move an item, you must click the corresponding radio button at the bottom of the dialogue box. At the top, you can elect to have the item appear before or after the target item. You can also elect to treat the item as an

appendage to the target item. *Check Move and indicate that you want the item to appear before item 1 and click OK.* The \$20,000 Iowa Finance Authority bond and its appendage has become the first item on Schedule B.

Since all schedules do not ask for the same information with respect to each item, GEM706 sometimes deletes information when you move an item from one schedule to another. In addition, the schedule may have additional questions not found on the previous schedule or the width allowed for the item description may differ. You should always review an item after you have moved it to a new schedule to ensure that you have answered all the questions correctly and that the item's description is properly formatted.

You can copy items and appendages using the same feature. GEM706 permits you to copy assets on and between Schedules A through I and deductions on and between Schedules J through L. In addition, you can copy items on Schedules M and O and copy items from an asset schedule to Schedule M. If you copy an item, GEM706 also copies its appendages. You can use this feature to copy assets which qualify for the marital deduction to Schedule M. However, the two items are not linked, and if you change the fair market value of the assets, GEM706 does NOT make a corresponding change to the item on Schedule M.

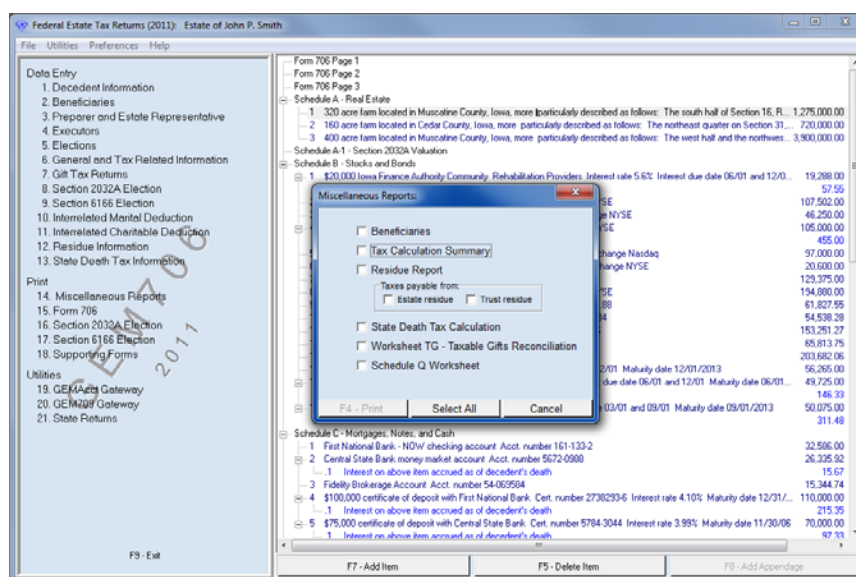
Chapter 6 Printing

§6.01 Introduction

This chapter describes GEM706's various print options. Besides printing Form 706 and supporting documents, GEM706 prints informational listings, a checklist of documents that you should attach to Form 706, and documents to support elections made pursuant to IRC §2032A and §6166.

§10.02 Miscellaneous Reports

Select option 14 on the Main Menu to view the miscellaneous reports that aid in the preparation of Form 706:



The Tax Calculation Summary includes a summary of the tax calculation on page 1, Form 706, the schedule recapitulation on page 3, Form 706, and a summary of the marital deduction on Schedule M and the charitable deduction on Schedule O. It also includes a summary of Schedule P (Credit for Foreign Death Taxes).

The Residue Report details the manner in which GEM706 computed the residue of the estate and intervivos trust. You can refer to the residues when completing the beneficiary table on page 2, Form 706, and when entering items on Schedules M and O. See §2.05 and §5.15.

The State Death Tax Calculation report details the manner in which GEM706 computed the state death taxes. You can refer to the state death taxes when completing the beneficiary table on page 2, Form 706 (see §4.05) and when determining how GEM706 should complete line 3b, page 1, Form 706 (see §4.09).

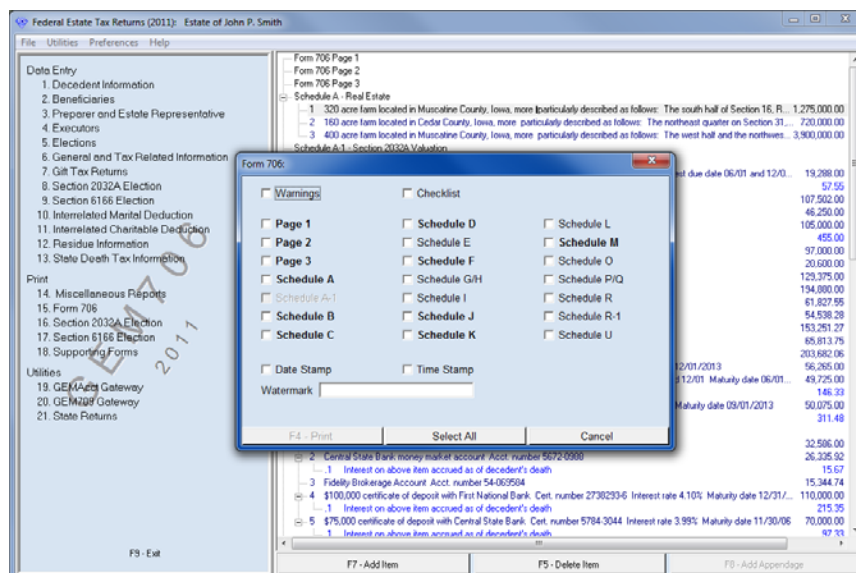
Worksheet TG is a reconciliation of the taxable gifts that the decedent made. It details the manner in which GEM706 computed the adjusted taxable gifts shown on line 4, page 1, Form 706, and the gift taxes payable on gifts made after 1976 shown on line 7, page 1, Form 706. The worksheet follows the format in the Instructions for Form 706.

Finally, the Schedule Q Worksheet contains the completed worksheet found in the Instructions for Form 706 which details how GEM706 computed the credit for prior transfers shown on Schedule Q.

Click  to return to the Main Menu.

§10.03 Form 706

To print Form 706 and its supporting schedules, select option 15 on the Main Menu:



While performing a tax calculation, GEM706 detects possible inconsistencies in the return and other possible problems. GEM706 classifies these issues as either errors or warnings. If GEM706 detects an error, it prints an Error watermark across the form. Unlike errors, warnings are not fatal to the tax calculation. However, you should always print and evaluate the warnings.

You should also print a copy of the checklist. The checklist contains a list of documents, forms, and other information which you should attach to Form 706. GEM706 compiles the checklist base on the information which you have entered. However, you should only use the checklist as a guide. You should always carefully review the requirements for your particular estate to determine the necessary attachments to Form 706.

GEM706 displays in bold print those schedules on which you have entered items. *Check Page 1 to print the first page of Form 706.*

You can elect to print the date and time at the bottom of each page. When you are printing multiple drafts, this feature permits you to distinguish between them. In addition, you can enter text that will appear as a watermark diagonally across each page. *Check the Date Stamp and Time Stamp boxes and enter "Do Not File" as a watermark, and then click Print (or type F4):*

Report Preview
Page 1 of 1
Zoom 153.9 %

Form **706**
(Rev. September 2009)

United States Estate (and Generation-Skipping Transfer) Tax Return

Estate of a citizen or resident of the United States (see separate instructions).
To be filed for decedents dying after December 31, 2005, and before January 1, 2010.

OMB No. 1545-0015

Department of the Treasury
Internal Revenue Service

Part 1 - Decedent and Executor

1a Decedent's first name and middle initial (and maiden name, if any)
John P.

1b Decedent's last name
Smith

2 Decedent's SSN number
111-22-3333

3a County, state, and ZIP code, or foreign country, of legal residence (domicile) at time of death
Muscatine County, Iowa 73072

3b Year domicile established
1932

4 Date of birth
4/1/1932

5 Date of death
4/1/2011

6a Name of executor (see page 5 of the instructions)
Mary L. Smith

6b Executor's address (number and street including apartment or suite no., city, town, or post office, state, and ZIP code) and phone no.
**2032 Fareway Drive
Muscatine, IA 52761**

6c Executor's social security number (see page 5 of the instructions)
123-45-6789

7a Name and location of court where will was probated or estate administered
Phone no. ()

7b Case number

8 If decedent died testate, check here ☒ and attach a certified copy of the will. 9 If you extended the time to file this Form 706, check here ☐

10 If Schedule R-1 is attached, check here ☐

Part 2 - Tax Computation

1 Total gross estate less exclusion (from Part 5 - Recapitulation, page 3, item 12)	1	7,822,638.28
2 Tentative total allowable deductions (from Part 5 - Recapitulation, page 3, item 22)	2	290,200.99
3a Tentative taxable estate (before state death tax deduction) (subtract line 2 from line 1)	3a	7,532,437.29
b State death tax deduction	3b	138,956.07
c Taxable estate (subtract line 3b from line 3a)	3c	7,393,481.22
4 Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after Dec. 31, 1976, other than gifts that are includible in decedent's gross estate (see 2001(b)))	4	100,000.00
5 Add lines 3c and 4	5	7,493,481.22
6 Tentative tax on the amount on line 5 from Table A on page 4 of the instructions	6	2,603,518.43
7 Total gift tax paid or payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes by the decedent's spouse for such spouse's share of split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate (see instructions)	7	0.00
8 Gross estate tax (subtract line 7 from line 6)	8	2,603,518.43
9 Maximum unified credit (applicable credit amount) against estate tax	9	1,730,800.00
10 Adjustment to unified credit (applicable credit amount). (This adjustment may not exceed \$5,000. See page 6 of the instructions.)	10	0.00

GEM706 always displays a print preview. *To view the full page, click  directly to the left of the Zoom percentage:*

Report Preview
Page 1 of 1
Zoom 20.3 %

Form **706**
(Rev. September 2009)

United States Estate (and Generation-Skipping Transfer) Tax Return

Estate of a citizen or resident of the United States (see separate instructions).
To be filed for decedents dying after December 31, 2005, and before January 1, 2010.

OMB No. 1545-0015

Department of the Treasury
Internal Revenue Service

Part 1 - Decedent and Executor

1a Decedent's first name and middle initial (and maiden name, if any)
John P.

1b Decedent's last name
Smith

2 Decedent's SSN number
111-22-3333

3a County, state, and ZIP code, or foreign country, of legal residence (domicile) at time of death
Muscatine County, Iowa 73072

3b Year domicile established
1932

4 Date of birth
4/1/1932

5 Date of death
4/1/2011

6a Name of executor (see page 5 of the instructions)
Mary L. Smith

6b Executor's address (number and street including apartment or suite no., city, town, or post office, state, and ZIP code) and phone no.
**2032 Fareway Drive
Muscatine, IA 52761**

6c Executor's social security number (see page 5 of the instructions)
123-45-6789

7a Name and location of court where will was probated or estate administered
Phone no. ()

7b Case number

8 If decedent died testate, check here ☒ and attach a certified copy of the will. 9 If you extended the time to file this Form 706, check here ☐

10 If Schedule R-1 is attached, check here ☐

Part 2 - Tax Computation

1 Total gross estate less exclusion (from Part 5 - Recapitulation, page 3, item 12)	1	7,822,638.28
2 Tentative total allowable deductions (from Part 5 - Recapitulation, page 3, item 22)	2	290,200.99
3a Tentative taxable estate (before state death tax deduction) (subtract line 2 from line 1)	3a	7,532,437.29
b State death tax deduction	3b	138,956.07
c Taxable estate (subtract line 3b from line 3a)	3c	7,393,481.22
4 Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after Dec. 31, 1976, other than gifts that are includible in decedent's gross estate (see 2001(b)))	4	100,000.00
5 Add lines 3c and 4	5	7,493,481.22
6 Tentative tax on the amount on line 5 from Table A on page 4 of the instructions	6	2,603,518.43
7 Total gift tax paid or payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes by the decedent's spouse for such spouse's share of split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate (see instructions)	7	0.00
8 Gross estate tax (subtract line 7 from line 6)	8	2,603,518.43
9 Maximum unified credit (applicable credit amount) against estate tax	9	1,730,800.00
10 Adjustment to unified credit (applicable credit amount). (This adjustment may not exceed \$5,000. See page 6 of the instructions.)	10	0.00
11 Adjusted unified credit (applicable credit amount) (subtract line 10 from line 9)	11	1,730,800.00
12 Unified credit (if line 11 figure is less than zero, enter zero)	12	872,718.43
13 Credit for foreign taxes paid (from Schedule D) (see instructions)	13	0.00
14 Credit for foreign taxes paid (from Schedule G) (see instructions)	14	0.00
15 Total (lines 12 and 13)	15	872,718.43
16 Net estate (subtract line 15 from line 10)	16	872,718.43
17 Generation-skipping transfer (GST) tax (see page 5 of the instructions)	17	0.00
18 Total transfer taxes (lines 15 and 17)	18	872,718.43
19 Prior transfers. Report on an attached statement	19	0.00
20 Balance due for estate and gift taxes (subtract line 19 from line 18)	20	872,718.43

Check preparation of return. I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than the decedent or executor) is based on all information of which the preparer has any knowledge.

Sign here: **Signature of decedent** Date: **4/1/2011**


Signature of executor: **Mary L. Smith** Date: **4/1/2011**

Preparer's name (or print name if not a CPA): **Frank A. Gillett** EIN: **99-12312312**


Address, and ZIP code: **100 East 5th Street
Muscatine, IA 52761** Phone no. (319) 732-2394

Form 706 (Rev. 9-2009)

GEM706 retains this setting until you again change it.

To send the form to your printer, click  in the print preview menu bar. GEM706 displays a printer options window where you can select the pages you desire to print and the number of copies.

- You must always review Form 706 carefully to determine that all of the information has been entered correctly, that the calculation is correct, and that it satisfies the filing requirements for your estate.

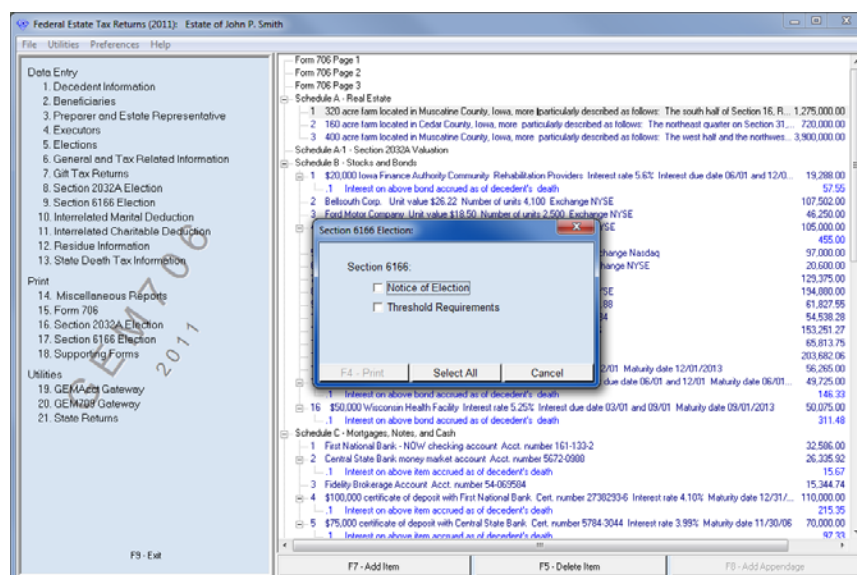
You can also click  to create a PDF file which you can electronically transfer to the executors, beneficiaries, and other interested parties. If you elect to create a PDF file, you must enter the file name and location.

You can also elect to print the return to a Word or Excel file. This permits you to make necessary minor changes with those programs. However, you should take care not to make any changes that would alter the tax calculation.

Click  to return to the Main Menu.

§10.04 Section 6166

Select option 17 on the Main Menu to print the documents required to perfect the election to defer estate taxes attributable to closely held business interests:



Click **Select All** and then **Print**.

Report Preview

Page 1 of 3

John P. Smith Estate
NOTICE OF ELECTION UNDER SECTION 6166
OF THE
INTERNAL REVENUE CODE

The undersigned, as Executor of the Estate of John P. Smith, deceased, hereby elects to make payment of federal estate tax under Section 6166 and states as follows:

1. That the decedent's name is John P. Smith and the decedent's social security number is 111-22-3333.

2. That the decedent died on April 1, 2011, a resident of Muscatine County, Iowa 52702.

3. That the value of the adjusted gross estate, determined in accordance with the adjustments provided by Section 6166(b)(5), is \$7,822,638.28.

4. That the following items shown on the federal estate tax return:

Item	Item	Fair Market Value
A	1	\$1,275,000.00
A	2	750,000.00
A	3	3,900,000.00
Total		\$5,895,000.00

were interests in a closely held business within the meaning of Section 6166(b)(1).

5. That the following statement sets forth the facts forming the basis for the conclusion that the estate qualifies for the payment of the estate tax in installments:

6. That the amount of estate tax to be paid in installments is \$657,593.34.

7. That the deferred estate tax will be paid in 10 equal annual installments commencing on January 1, 2017 as follows:

Date	Payment
January 1, 2013	Interest only
January 1, 2014	Interest only
January 1, 2015	Interest only
January 1, 2016	Interest only
January 1, 2017	\$5,759.33 plus interest
January 1, 2018	\$5,759.33 plus interest
January 1, 2019	\$5,759.33 plus interest
January 1, 2020	\$5,759.33 plus interest
January 1, 2021	\$5,759.33 plus interest
January 1, 2022	\$5,759.33 plus interest
January 1, 2023	\$5,759.33 plus interest
January 1, 2024	\$5,759.33 plus interest
January 1, 2025	\$5,759.33 plus interest

-1-

GEM706 prints the notice of election and a report showing the threshold report. [Click !\[\]\(d84e7ea36f695d92cb39ec32c307ac93_img.jpg\) to return to the Main Menu.](#)